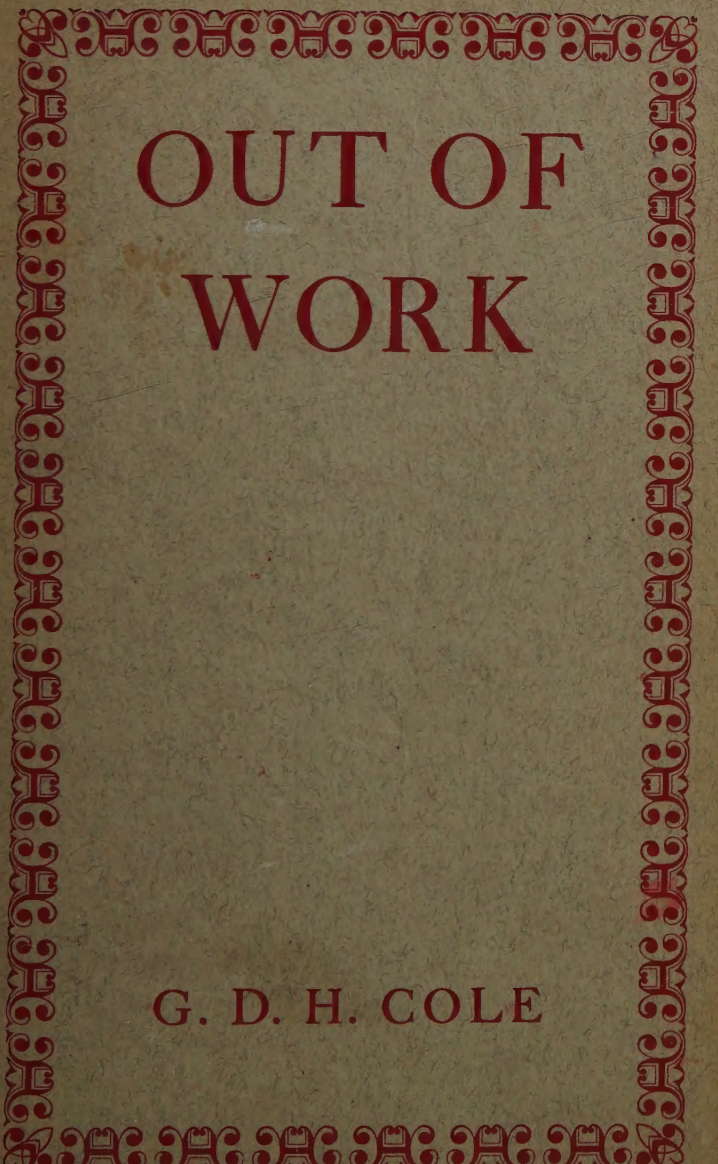




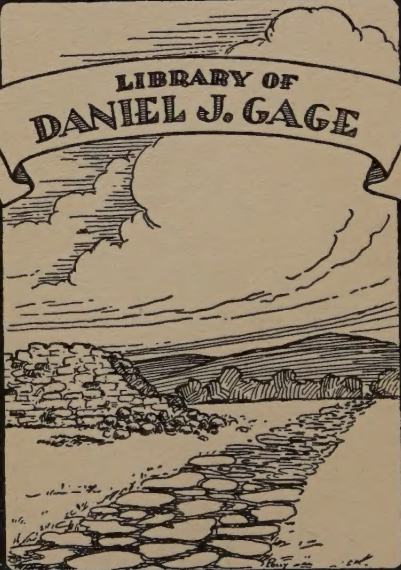
OUT OF WORK

G. D. H. COLE

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What Shall Endure?

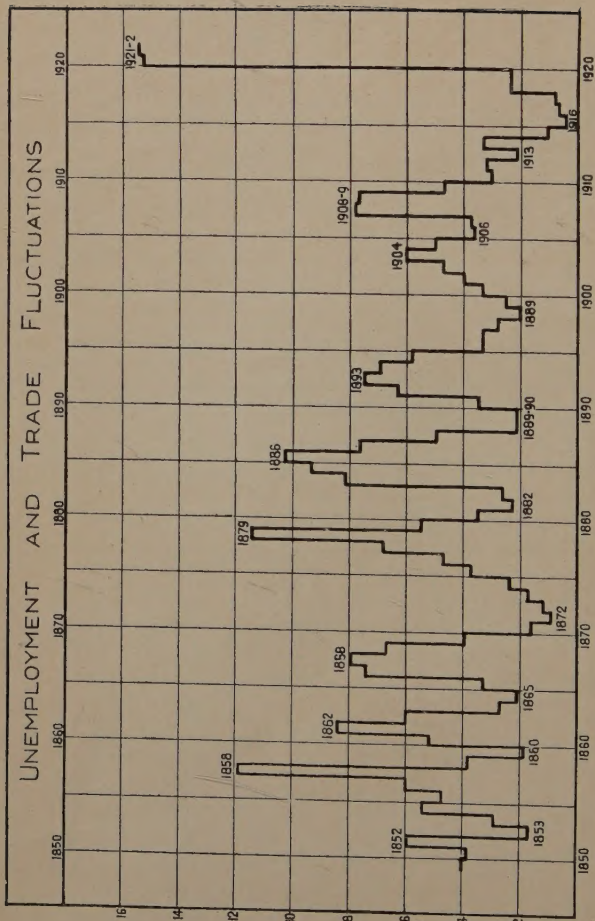
Great roads the Romans built, that men might meet,
And walls to keep strong men apart - secure ;
Now centuries have gone, and in defeat
The walls have fallen, but the roads endure.

Ethelyn Miller Hartwich

35-6

Daniel J. Gage

OUT OF WORK



Percentage of Workers Unemployed in Each Year from 1850 (mean for each year)
 Years of Slump shown above: Years of Boom below. (For explanation see Appendix A)

OUT OF WORK

AN INTRODUCTION TO THE
STUDY OF UNEMPLOYMENT

BY

G. D. H. COLE



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OUT OF WORK

I

HUMAN NEED AND ECONOMIC DEMAND

WHY am I out of work? How many men and women, during these years of the great trade slump, must have asked themselves that question. Walking the streets, taking their places in the line awaiting relief at the Employment Exchange or the office of the Guardians, hunting wearily for an employer in need of hands, how can they not ask the reason for their enforced idleness? Why, though I have strong arms and skill, and there are millions who need the products of my labour, can I find no work? Why must I go without the things my unemployed neighbour over the way has skill to make for me, could he but find the means? Surely there should be a way of bringing together my skill and his need, my need and his skill. Surely it is folly for those in authority to pay both him and me a dole, and to leave us in idleness instead of helping us both to a job in which we could serve each other. Surely there is something wrong with an economic system which produces, or tolerates, results such as these. There must be something wrong. What is it?

He who asks these questions is, consciously or unconsciously, putting the whole capitalist system on its trial. Unemployment is not the

only, or even the fundamental, abomination traceable to the present economic structure of society. It is indeed a symptom, and not the disease, as imperialist war is another, and no less disastrous, symptom. But unemployment is at least the most constantly present symptom, and that which most directly and continually confronts every worker. The man or woman who is in a job to-day may be out of a job to-morrow; and, save at times of exceptional trade prosperity, the fear of the sack is never long absent altogether from the worker's mind. It means for every worker a constant sense of insecurity, a knowledge that the continuance of the means of livelihood depends on powerful forces which are almost wholly outside his control. Nothing does so much to suppress the worker's natural instincts of resentment, to check the growth of a spirit of independence, to breed a servile attitude of mind, as the ever-present fear of unemployment.

The average worker of to-day is almost devoid of economic resources apart from the hourly, daily, weekly or monthly wage or salary which he earns as an employee of some master or company which "gives him work." Even a purely temporary failure of employment deprives him at once of economic resources, and confronts him and his family with the fear of starvation, or at least with the necessity of becoming underfed dependents on private or public assistance. If he is a Trade Unionist he may for a few weeks be able to draw benefit—at an inadequate scale—from his Union. He may have some small savings—his preparation for old age—on which he can fall back. But at the best any prolonged spell of unemployment

reduces him and his to the status of half-starved and despised receivers of what is regarded as charity. Unemployment, if it is prolonged, destroys not only his standard of life, but something of his self-respect, and of his capacity for good work in the future. To be out of work is a demoralising, as well as a miserable, condition.

In the great majority of occupations the fear of being out of a job was never, until the war years, far removed from the ordinary worker. Even in the industries which had adopted the method of "short time" working, so that a decreased volume of work was spread out over a larger number of workers, the fear was not taken away, but only changed its form. The worker's risk of total unemployment was indeed diminished; but in its place was set the certainty of passing through periods during which earnings would fall, over the whole industry, far below a reasonable, or even the customary, level of subsistence. The "short time" method in fact only makes the workers share out among themselves the decreased total of their earnings. At least, as much as ordinary unemployment, it thrusts the burden of trade fluctuations upon the workers.

The years of war for the time lightened the economic burden of those workers who remained in the factories. In face of the acute shortage of labour in many industries, due to the expansion of war production and the absence of millions of workers on war service, there were large sections of industry in which the risk of unemployment almost completely disappeared, and men and women got used to continuous work and continuous wages. There is no doubt

that the temporary removal of this fear was one of the principal reasons for the increased self-confidence and militancy which the working class displayed in the period following the end of the war. But before long unemployment returned, on a scale hitherto unknown, and the growing self-confidence of the workers was destroyed as rapidly as it had been called into being. Fear returned, and with fear came servility and the feeling that the suffering, from which the war had seemed to open up an avenue of escape, was after all the common lot of the workers. The sense of the inevitability of capitalism, which the war had for a time threatened, resumed its sway over the minds of a large section of the working class.

Unemployment, of course, can breed resentment and revolt, as well as despair and acceptance. A proportion of those who are out of work have their eyes opened by their plight to the inhumanity and folly of the capitalist system, and become devoted to the task of its destruction and replacement. A proportion of those in work experience the same awakening. Mass movements furnish, in times of acute unemployment, good ground for Socialist propaganda. But it is no less true that prolonged lack of work breeds mere despair and apathy in many of the unemployed, and that, among those in work, the fear of losing their jobs turns many into mere docile wage-slaves ready to listen to the reiterated doctrine of the inevitability of capitalism.

Ever since the workers have organised at all for common action, and certainly since they have developed any constructive programme, the abolition of unemployment has figured

NEED AND ECONOMIC DEMAND II

largely in their proposals. The "Right to Work" is among the oldest of Socialist and Trade Union demands. The workers have felt most strongly that, if they could abolish unemployment and banish from their minds the constant fear which it arouses, their whole power of action would be immeasurably strengthened, and the path to freedom in industry made infinitely smoother and more plain.

But can unemployment be abolished? Or, in any event, can it be abolished without changing the whole fabric of the present economic system? And, even if the whole system be altered, how far will any change confined to a single country remove the causes which are responsible for the widest fluctuations of employment? Socialists have always recognised that it is useless to look for any method which will completely regularise ordinary employment as long as capitalism exists. Trade fluctuations and economic crises are not mere accidents: they are bound up with the whole system under which world production is organised. Means may be found to steady trade here or there; but the "reserve of labour," as it is called, is a permanent necessity of capitalist production.

Thus, while every school of Labour and Socialist thought has put forward its plans for dealing with the problem of unemployment, no purely reformist proposal—that is, no proposal capable of being put into force without a fundamental change of economic system—really aims at the abolition of unemployment in any full sense. The "Right to Work" resolves itself in practice into the "Right to Work or Maintenance"—a formula which implies that it may

be impossible, under the present system, to find work for all. Let the State, the "Right to Work" advocates used to say, find work for all it can, and maintain the rest. The emphasis indeed is laid on work rather than maintenance; but the proposal implies that far more drastic measures than any "Right to Work Act" are needed for the abolition of unemployment.

The fundamental aim of the Socialists, the thinkers and planners of the working-class movement, is not embraced by any Right to Work Bill, or by any meliorative plan that may be put forward as the best constitutional means of dealing with a particular emergency. Socialists recognise that unemployment is merely a symptom of a more radical disease: they aim at curing the disease, and not merely at dulling the pain which it causes. They contend, not merely that the effects of unemployment on the workers can be made less disastrous by better provision of public work and maintenance, but that the very existence of unemployment is unnecessary, and indeed altogether absurd. As long as there are men and women needing the products of labour, it is ridiculous that there should be men able and willing to work but unable to find the chance.

It is to be noted that a man is not regarded as "unemployed" merely because he is not at work, but only when he is unable to find the means of working. A Pall Mall clubman, however idle he may be, is not "unemployed," and a professional tramp is not "unemployed," because in neither is the willingness to work present. Nor, as long as he is not sacked or suspended, is a clerk who sits idle in an office,

or a workman standing by his machine for lack of material, "unemployed," though clearly his labour-power is also being wasted. The "unemployed" are those whom, despite their willingness and ability, no employer can be found willing to engage.

The intrinsic absurdity of this unemployment is too obvious to need demonstration. There is not a single "civilised" country, however vast its productive resources and powers may be, in which the majority of the people has enough even of the simple necessities and amenities of life. In every country there is a vast need for products which is never satisfied. Nor is this because the power of production is inadequate. We cannot indeed produce enough to give everyone unlimited supplies of everything that might satisfy a whim. But it is an obvious fact that our productive mechanism is not running at anything like the full speed of which it is capable. Productive power vastly exceeds actual production. The bootmaker out of work is himself ill-shod, and passes every day in the street thousands of ill-shod men, women and children. Yet he knows that in the factories and warehouses there is abundant leather, and machinery standing idle for lack of work. The builder out of work dwells in an insanitary and overcrowded slum area; but it is not for lack of clay or other building materials that he is unable to give his services in slum clearance and replacement. The farm labourer out of work can gaze his fill on an uncultivated and largely depopulated country-side. These things are obviously bad: they show an extraordinary maladjustment in the world's economic affairs. Can it be proved that they are

inevitable? If so, we must bear our ills as best we may; but the unemployed man or woman, or the employed worker who is menaced by unemployment, will be likely to take some satisfying that there is no means of bringing together his skill and his neighbour's need. Why not? he asks.

Is it because human need is not an economic category, and finds no recognition in the present economic system? The fact that I need bread or boots or food is, in one sense, surely an economic fact; but it is a fact of which, by itself, the economic system takes no account. It is true that all who have commodities to sell must find a purchaser who wants, or can be persuaded that he wants, them; but the mere wanting is not enough to effect a sale. He who wants will not get unless he pays the price. My wanting, my needing, boots does not, I know well, ensure that I shall get them, however many pairs I may see exposed in the shop for sale. My need does not even help me to get them. The only question the seller will ask is whether I am prepared to pay the price. If I pay, well and good: the boots are mine. Wanting the price of a pair, I may go without, however great my need may be. To stress this fact may seem a labouring of the obvious; but not merely to accept its truth, but to recognise its central importance, is essential to the understanding of our problem.

Only if I am prepared to pay a price which appeals to the seller does my need for boots enter into the realm of economic fact. My need is nothing: my money counts. My ability to pay enables me to convert my need into a *demand*; and demand, and not need,

is the factor with which the economic system concerns itself. And demand in the economic sense is simply a question of ability and willingness to pay a price which the seller will consider. If I am able and willing to pay such a price, I shall get the boots; for it will be worth someone's while to supply me. Supply depends, not on need, but on *effective*, or *economic*, *demand*.

Thus the fact that there are a million families needing houses, a million children crying for bread, millions everywhere needing the common things of life, does nothing to set the wheels of industry in motion. When the unemployed bricklayer offers himself for work, the master builder considers, not how many families stand in need of houses, but how many are able and willing to pay for them a price which will leave a surplus over and above the costs of production. The amount of production is thus governed, to a great extent, by the quantity of goods that consumers are both able and willing to buy at prices at which the seller is prepared to sell.

Need implies willingness: it does not imply ability. The great mass of the people derive their ability to buy from their employment as producers. Their purchasing power, such as it is, comes to them in the form of wages or salaries, which they spend in satisfying their more urgent needs and desires. If they fall out of work, their income stops; if they are placed on short time, or discontinuously employed, it is proportionately reduced. True, they are not left absolutely to starve. They exist on doles, parish relief, savings, Trade Union benefits, charity. But these resources are drawn either from their own past incomes,

as unexpended balances of purchasing power, or from the present incomes of others, through rates, taxes and charitable contributions. The withdrawal of the unemployed workers from production diminishes the total purchasing power in the hands of the community. Less is being produced: less must be consumed. The distribution of the available purchasing power may be modified by insurance, doles and relief; but the real aggregate income is reduced in proportion to the fall in production.

Now, under existing conditions, this fall in purchasing power at once reacts on production. It represents a failure of demand, though not of need. It is a reason for curtailing production; for the manufacturer will not produce what he does not expect to sell at a remunerative price. There is a vicious circle of under-consumption and under-production. The circle of unemployment and semi-starvation widens.

Let us try to state this argument in a rather more formal way. Need, unless it is also economic demand, cannot be considered by the capitalist seller; for those who suffer it have neither the money nor the credit (that is, the ability to borrow money) required to make it effective. It is, however, clear that the character and direction of "economic demand" are determined by the economic system itself and by the distribution of purchasing power under that system. A change in the distribution of purchasing power, or in the method of distributing purchasing power, might fundamentally alter both the direction and the volume of economic demand.

Economic demand is highly variable, small at one time and large at another: large when

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trade and employment are good, small when they are bad. But human needs are highly stable, changing but slowly with changing customs and ways of life. Moreover, human needs are practically unlimited: there remain always things of which we require more. No expansion of production will meet all needs: it can at best only pass from satisfying those of primary urgency to those which are less insistent. This being so, it seems clear that unemployment will be reduced to insignificance, or disappear altogether, under an economic system in which effective demand can be made to coincide with need—that is, in which purchasing power up to the limit of productive capacity is distributed as nearly as possible according to need. Under such a system the bootmaker would not be unemployed amid a shortage of boots, nor would any producer find himself compelled to produce useless luxuries because the economic demand for necessities was inadequate to the means of supply.

Every Socialist system embodies an attempt to bring about this coincidence of human need and economic demand, and thus includes, as an essential part of its plan, the abolition of unemployment. Every such system proposes a drastic redistribution of purchasing power, not simply in the form of a share-out of present incomes, but in the form of a new distribution based on the communal capacity to produce. So much is common ground among all schools of Socialists, however they may differ as to the means or the formal structure of a Socialist Society. All are agreed that the community must distribute income in accordance with its ability to produce, and plan production so as to

deliver goods in response to the most urgent needs.

But we are living under a system which recognises neither the principle of production nor the principle of distribution which I have described as common to Socialists. Our Society produces for the profit of those persons who own and control the mechanism of production—a mechanism which includes the banks and financial apparatus of modern capitalism, as well as the land, the productive plant and the agencies of transport and distribution. It produces, not what is needed most, but what pays best, and it applies this test to the quantity, as well as the character, of the goods produced. If cakes pay better than bread, it produces cakes; if less bread pays better than more bread, it restricts the output of bread. The sole test is not merely whether a particular form or quantity of production will yield a profit, but whether it will yield the maximum profit obtainable. This principle of production is quite inconsistent with the rival principle of production for human need; for what is most needed often does not pay best.

But, it may be said, cannot this defect be cured without changing the productive system? A reason why what is most needed does not always pay best lies in the bad distribution of purchasing power. If purchasing power were more equally distributed, and a close correspondence thus established between human need and economic demand, would it not then pay best to produce what is most needed?

The answer is twofold. In the first place, closer equality of purchasing power would certainly make it pay best to produce the

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kinds of goods which are most needed, but not necessarily to produce the greatest possible quantity of such goods. There would still be room for monopoly prices and restriction of output, leading to a recurrence of unemployment. But the real answer goes deeper. In the second place, anything like equality of purchasing power is utterly inconsistent with the present system of production, which is based on the private ownership and control, by a section of the community, of the means by which the whole community must live. The inequality of incomes arises directly out of this private ownership and control of the means of production, and the only way of abolishing the inequality is to socialise, in one way or another, the ownership and control. And, if all the community is to share with approximate equality in the profits of industry, what is the use of having any profits at all? Why not produce simply for use, and banish the whole idea of profits from the vocabulary of the future?

Production for private profit means inequality of incomes—monstrous inequality. It also involves unemployment, which depends on the widening gulf between human need and economic demand, the expression of this inequality. Unemployment cannot be abolished save by a fundamental change in the productive system, as well as in the distribution of incomes. For the one cannot be achieved without the other.

In the following chapters an attempt will be made, from a Socialist standpoint, to survey the main factors in the problem of unemployment, with regard less to the immediate

ameliorative measures that can be proposed—though these will be discussed in their place—than to the general question of the changes necessary if the disease is to be cured, and not merely kept under. In particular, my aim is to show unemployment as an inherent vice of capitalist organisation, and to concentrate attention on the necessity for radical measures—a necessity the more urgent because recent developments in the world of capitalism have made the outlook for the wage-earning classes, in this and other countries, infinitely more menacing and uncertain. Productive resources expand; but, as we shall see, the market—the opportunity to sell—does not expand in proportion, and consequently vast resources and vast numbers of workers are in idleness. The power of capitalism, as a force organised for profit, increases: its power to satisfy the world's needs grows less. A crisis in the affairs of world capitalism approaches; and in every industrial country there are large sections of the workers unemployed. Ignorant of the truth, these men are a menace not so much to capitalism as to themselves and their fellows: knowing the truth, they can play their part in the double task of destruction and creation which faces the workers of the world to-day. The unemployed workers have lost even their chains; but they have a world to win.

II

RESTRICTION OF OUTPUT

THE problem of the manufacturer and the trader is to sell their goods, not at any price that consumers are ready to pay, but at a price which makes it worth their while to produce or to sell. There arise, of course, circumstances in which a manufacturer or trader will cut his losses, in order to get an immediate return, by selling his stock under cost price; but he will not go on producing, or adding to his stock, unless he sees the prospect of selling at a profit. Moreover, he is concerned not merely to make a profit, but to make the largest possible profit. Behind him are his shareholders, the owners of the capital with which he runs his business. For them he must secure the largest possible amount in interest and dividends, while his own income also depends as a rule on what he can make out of the business. If, therefore, he can make a larger total profit by selling a small quantity of goods at a high price than by selling a larger quantity at a lower price, he will choose, and will be virtually compelled to choose, the former alternative. In the case of most commodities, a reduction in price stimulates, and a rise in price checks, demand.¹ The manufacturer

¹ This is generally true of a reduction in the price of any single commodity; but it is not true of a general fall in prices, which rather causes buyers to hold off until they are

or trader, and still more the combine of manufacturers or traders, is always calculating whether it will pay better to sell more at a lower, or less at a higher, price. For the higher price will probably yield a larger profit on each article sold; and the aggregate profit may thus be greater on a small than on a large turnover.

These calculations often lead manufacturers and traders deliberately to restrict output. We hear a great deal said in condemnation of the workers, on the ground that they are in the habit of restricting their output. We hear far less of the common practice of restriction of output by employers, though this undoubtedly has a much greater effect on the volume of production. It is clearly useless to produce what cannot be sold; and this may seem, at first sight, to give justification to the policy of employers in restricting output. But the charge against modern capitalism is not of restricting output in this sense, but of deliberately producing less than could be sold at a profit, because a lower output, by enabling prices to be kept at a higher level, will yield a larger profit. There is no absolute limit to the amount of most commodities that can be sold: that depends on the price charged. Modern capitalism is constantly cutting down production below the amount saleable at a profit to the smaller amount which yields the maximum profit.

This policy of restriction—which employers and their tame economists prefer to call regulation—of output grows in proportion as industry falls more under the sway of trusts, convinced that prices have touched bottom. This distinction is of great importance, and is often overlooked.

combines and price-fixing associations or conferences of employers. It is difficult nowadays to find an important commodity of which the price, and at least indirectly the output, is not regulated by some strong trust or employers' association, to which the great majority of the producers concerned belong. Nor is this form of combination confined to production: there are also rings and combines of merchants and other intermediaries, all in search of the maximum profit, and all seeking to regulate the quantity of goods on the market, and to adjust prices and quantities so as to secure the maximum return. There is no space, in a study of this character, to illustrate this growing tendency by concrete examples. Many books have been written about it, and the Reports of the Profiteering Committees which sat in 1919 and 1920 furnish abundant instances.¹

What does this policy of restriction mean for the workers? It means that there is less employment. If a firm or combine cuts down production, it needs less labour in order to carry out its reduced programme. Either it sacks a number of its employees, or it places them all on short time. In the one case, so many workers are added to the number of the unemployed; in the other, the whole body of workers have their earnings reduced, and are brought down to a lower standard of existence. In either case the workers suffer, both directly

¹ See particularly on this question the Labour Research Department's *Workers' Register of Labour and Capital*, 1923, and *Wages, Prices and Profits*, 1921; also John Hilton's *Combines and Industrial Organisation*, and the Reports of the Profiteering Committees. The best current record is the *Monthly Circular* of the Labour Research Department.

in the loss of earnings and in the reduced bargaining power which follows always upon the existence of a surplus of labour. They suffer also as consumers; for, while their spending power is reduced, prices are kept high in order to yield high profits on the reduced output. They have less shillings to spend; and each of their shillings buys less goods.

It is not suggested that all manufacturers and traders constantly keep production down to the minimum. Sometimes it pays better to expand output, and to sell more at a lower price. In this case, the workers benefit both as producers, through increased employment, and as consumers, through increased purchasing power. But my point is that the tendency to restrict output is a steadily and rapidly growing tendency of modern capitalism, and that it is largely responsible for the growing acuteness of the problem of unemployment.

The tendency to restriction of output is not increasing because of the growth of trusts and combines. That is a merely superficial view which mistakes the effect for the cause. On the contrary, trusts and combines are covering the whole face of industry because they offer the best means of giving systematic effect to the policy of restriction. The conditions of modern capitalist production, now reaching the stage of its decay, irresistibly dictate the policy of restricted output, and force employers into close combination in order that they may carry it into effect. Trusts are merely signs of the times: they are the instruments which capitalism is using in order to adjust itself to new and dangerous world economic conditions. It follows that merely to attack trusts is absurd:

in order to achieve any result we must attack the causes which have given rise to the trusts.

What are these causes? We have seen that the problem of the modern manufacturer and trader is to find a paying market for his goods. For several reasons, both internal and international, this is becoming more and more difficult. Let us take first the internal difficulty.

The old theory of profits used to be that the claim to profits was a claim of the owners of capital to any surplus remaining after the costs of production had been met. It was the difference between cost of production and selling price. Capital has by no means abandoned its claim to this surplus; but it has steadily and successfully advanced a new claim in addition. It has demanded, and largely secured, that the payment of a "reasonable" rate of interest on the capital invested in business shall rank as a part of the cost of production itself. The resources of a modern business usually include loans and debentures, and preference and ordinary shares. Loans and debentures are not strictly capital at all; they are money lent at a fixed rate of interest, and the payment of this interest is reckoned as part of the cost of producing goods. The bank must have its interest on its loans; the debenture holders have first claim on the assets of the business.

Now of late the proportion of business resources taking the form of loans and debentures has very greatly increased. In other words, a large part of the capital actually used is no longer sharing in the surplus; it is ranking as a part of the cost of production.

But this is not all. Preference shares are often "cumulative"—in other words, if the

fixed interest on them is not paid in one year it must be paid in later years. Preference shares thus come very near to being a charge on the cost of production. Moreover, many businesses now have what they call a "dividend insurance" or "equalisation" fund, and many more make a practice of placing to reserve sums which enable them to maintain good dividends even in bad years. All this means that, under modern conditions, business shareholders tend more and more to get, for all classes of capital, something like a guaranteed minimum rate of interest. This does not prevent them from getting more, or from laying claim to any surplus over and above the sums needed to pay these dividends; but it does mean that the payment of a "reasonable" rate of interest on practically all forms of capital has come, in practice, to be regarded as part of the cost of production. The mining agreement of 1921, made at the end of the disastrous lock-out of that year, explicitly recognised this principle, and enabled the owners to claim even arrears of dividends before miners' wages could be raised above starvation level.

Under these conditions, the employer will not consent to sell, and therefore will not produce, except at a price which yields to capital at least the required "reasonable" rate of interest. If he cannot secure this he will sack many of his workers and compel the nation to maintain them, while, by reducing his output, he holds up the price of his goods to a remunerative level.

This state of affairs is made far worse because of the speed and skill with which "Big Business" capitalised the excessive profits of the war and post-war years. These profits

meant that the rate of dividends, on the capital actually invested in industry, rose extraordinarily high. At once the capitalists in one industry after another increased the capital, not by getting new money subscribed, but by calling what had been one pound previously two, three, four, or even five or six pounds. They issued free of charge, or at a purely nominal price, bonus shares to their existing shareholders, so that a man who had a pound share in some firm one day found himself the next day, without a penny of expense, in possession of several shares each valued at a pound. Alternatively new companies were floated to take over old concerns, the capital being doubled, trebled, quadrupled or more, without even the smallest addition to the equipment or productive capacity of the firms in question.

This means that, where before there was only one pound claiming its "reasonable" rate of interest, there are now several pounds, each claiming its "reasonable" rate, although the productive capacity remains unchanged. Each unit of output, each sewing machine or yard of cotton cloth, has to earn dividends on the increased amount of the nominal capital.

Now put these two sets of facts together. The nominal capital of industry has greatly increased, without any corresponding increase in productive power. At the same time the claim of capital to profits has been made more oppressive. The capitalist has not renounced his claim to the surplus; but he has added to it the claim to a guaranteed minimum interest which is coming to be regarded as virtually a part of the cost of production. What is

the effect of these changes on the volume of production and on the workers?

Surely, it may be said, the capitalists will have to increase production in order to pay these dividends. Unfortunately the effect may be in the opposite direction. Even in times of trade decline the capitalist will only produce at a price which enables him to include all these charges in his cost of production. But at such a price there is then only a very limited market. Consequently he has an additional inducement to sack workers, to reduce production, and to keep prices excessively high in order to pay the increased capital charges out of the selling price of the decreased output. In the great majority of important industries employers are to-day engaged in carrying out this desperate policy, at the cost of the workers whom their restrictive methods throw out of employment. They are thrusting the whole burden of trade depression upon the workers in a mad endeavour to maintain profits at the absurdly high levels reached during and after the war. Perhaps this is a form of suicide; but it is a very unpleasant form for everyone concerned.

But why, it may be asked, does this restrictive policy pay better than a courageous attempt to expand production to the uttermost, in order to pay high dividends on a very high output, even at a lower selling price? In dealing with this point we approach the final dilemma of capitalist production. The policy of restricted production is aggravated by the factors which we have been describing; but they are not its cause. The cause lies deeper down in the structure of the capitalist order as a world system. It is to be sought in the phenomenon of the "limited market."

III

UNDER-PRODUCTION AND UNDER-CONSUMPTION

WHAT is, and whence arises, that dilemma of capitalism to which I have referred? It seems absurd, but so it is, that the very expansion of the world's productive resources is, under our present economic system, the cause of trouble, the reason for the adoption of a restrictive policy. It would seem to be mere common sense that the increase of productive capacity in each country should lead both to a higher standard of living for the people and to an increased volume of international trade—that is, of exchanges of useful products between the countries of the world. This was, indeed, up to a certain point, the achievement of capitalism in the earlier phases of its development. The changes which we call the Industrial Revolution were followed by a rapid increase not only of productive resources, but of actual production and of international trade. The economic writers and business men of the nineteenth century were never weary of extolling these benefits of the capitalist system, or of holding out to their contemporaries the hope of an infinite future of commercial expansion and economic prosperity.

Great Britain took the lead, largely as a result of the advantages gained over other European countries during the Napoleonic wars, in this process of commercial development.

She exploited the markets of Europe and of the rest of the world, especially of her dominions overseas. Later, more and more countries joined in the race for wealth—Germany, the United States and Japan. Long before the Industrial Revolution the riches to be acquired by selling goods to the undeveloped countries, and receiving in return their natural products, had been appreciated; and with the vast increase in productive capacity foreign trade came to occupy an ever-increasing place in the thoughts of business men and politicians. As production expanded in the developed countries, and more and more countries became industrialised, the struggle for foreign markets became more acute, leading to rivalries between States and between rival capitalist groups. Soon two new tendencies began to manifest themselves in the development of overseas trade. The first period of modern capitalism was, broadly speaking, the period of the dominance of the textile industries, whose philosophy was expressed by the “Manchester School” of Cobden and Bright. But from the middle of the last century predominance began to pass to the metal trades, and the export of metal goods became increasingly important in determining the direction of commercial policy. Now, whereas the textile industries exported articles of consumption, for the actual use of the peoples of the countries to which they were sent, the metal industries exported largely capital goods, to be used not by the peoples of these countries for themselves, but in developing the productive resources, including the transport system, of the undeveloped parts of the world. The *export of capital*, the process of investment

abroad by the capitalists of the developed countries, began to assume large dimensions.

The export of capital differs obviously in its economic effects from the export of products intended for final consumption. When the capitalist has sold a suit of clothes, it is of no concern to him what becomes of that suit. But when he has erected a railway in some undeveloped country, by lending to that country the capital required for it, the railway remains actually or virtually his, and he is deeply concerned that it shall be put to profitable use. He is therefore led to interfere, and to get his State to interfere, in the internal government of the countries to which he has committed his capital. The struggle for overseas markets becomes a struggle for overseas spheres of influence, for the economic and political subjection of the countries to which capital is exported. This is the second phase of Imperialist development, and its importance is measured by the huge pre-war exports of capital which the developed industrial countries were making every year to the less advanced countries of the world.

But this second phase of world capitalism carries with it further developments. Not only does the profitable use of the exported capital—the railways, the industrial plant, and so on—depend on the growing exploitation of the natural resources (coal, iron, oil, etc.) of the less advanced countries; the immense growth of production in the developed countries involves the need for plentiful supplies of raw material, fuel, and all requisites of production. The various States and capitalist groups therefore busy themselves in assuring their supplies

of these natural resources, and are thus led to an intensified scramble for spheres of influence, and for control over those parts of the earth in which the richest deposits of oil, coal and iron and other essential substances are situated. The inner meaning of the Allied parcelling out of the world in 1918—that is, of the Peace Treaties—as of recent Imperialist policy in general, is to be sought mainly in this world scramble for sources of the raw materials necessary for large-scale industrial production.

Where, the reader is doubtless asking, in this exposition of the fundamental facts of modern Imperialism, does the question of unemployment enter in? These facts may be very essential for the study of War and Peace; but how do they bear on the problem of unemployment, and on the restrictive tendencies of modern capitalism described in the last chapter? That they have a very direct bearing on our problem is the sole reason for describing them here. Modern capitalism has thriven and expanded by an ever-growing export of commodities—at first mainly of consumable goods, and latterly mainly of capital goods—to the undeveloped countries. Only by this means—by constant investment of surpluses abroad—has it been able to keep the factories running, to dispose of its huge production. Confined to producing what it can sell at home, or exchange for commodities, such as imported foodstuffs, to be consumed at home, it could not keep its plant running at anything like its full capacity, or afford employment for anything like the whole industrial population. Foreign investment—the development of undeveloped countries—has long been the safety-valve of the

capitalist system, the means of affording employment to large sections of the wage-earners.

But, it must be noted, this process contains in itself the seeds of its own destruction. By the export of capital goods the developed countries are enabling the undeveloped countries to become industrialised, and to enter into production for themselves. Japan and India are no longer content merely to buy the goods of Europe; they develop their own production, both of consumable goods, such as textiles, and of capital goods, such as the metal and engineering industries produce. Moreover, they begin themselves to export manufactured goods as well as materials, and to compete in other markets with the older industrial countries. They use still largely foreign capital for this development; but their demand for goods from the older centres of industry does not keep pace with the growth of productive capacity. The British capitalist re-invests the income of his investments in India in further production; but this production may now take place in India, and may no longer provide employment for British workers. As industrialism develops in the "backward" countries first exploited, these too become in a measure competitors, and the producers in these older centres are driven to seek additional fields for investment and exploitation.

As long as they can find these new fields, and have capital to export to them, well and good. But the world fills up, and the contest for profitable fields of exploitation becomes more acute. Moreover, if any circumstance intervenes to check the export of capital by diminishing the resources available in the hands of capitalists for this purpose, less purchasing power is advanced

to buyers abroad. If this is the case, the wheels of industry must go slow, and a large section of the workers in the constructional trades must be flung out of employment. In the countries recently involved in war, with certain exceptions, of which the United States and, for the moment, France are the most important, such a circumstance has arisen. The war has left a legacy of national indebtedness and high taxation, of industrial over-capitalisation and financial entanglement, which has served at once to limit the resources available for overseas, as well as for internal, investment, and, by raising costs of production to almost prohibitive levels, has made more difficult the sale abroad, or the export under conditions acceptable to capitalism, of either consumable or capital goods. The exporter claims a higher price: the importing countries have less money, either of their own or lent them by others, with which to buy. Foreign trade, both between the established industrial countries and from them to the less advanced countries, is checked; and the result is seen in an unprecedented growth of unemployment and distress.

But, the reader may very well say, still I don't see. Apparently the productive resources of these countries are practically unimpaired, even if they have not in certain cases positively increased. What is there to prevent them from producing all they can, and either consuming it at home or exchanging it one with another? Can they not even, for the time, leave the undeveloped countries alone, stop the export of capital, and concentrate on the direct exchange of such products as they do not need for internal consumption? Clearly, there can

be no question of producing too much ; for, as we have seen, there are in each country unlimited needs which are going unsatisfied. Why not, instead of leaving machinery idle and throwing workers out of employment, concentrate on a co-operative effort to satisfy these needs ?

Here we touch at last the fundamental evil of the capitalist system. It cannot meet its problem by producing for the human market and for those foreign producers who are in a position to supply imports required in the home market. For it is not so organised as to respond to needs, unless these needs can be converted into the form of effective, economic demand. And, by its form of organisation, it prevents this process of conversion from taking place upon the requisite scale. It cannot concentrate on supplying home needs, because the home consumers cannot afford to buy the goods which it is able to produce, or the other goods which could be got in exchange for its exportable products. The capitalist producer is faced with a failure of demand in the home market.

Why is this ? Simply because of the inequitable and economically faulty distribution of purchasing power. It is not that there is not enough purchasing power to buy the goods which are actually produced and marketed. To suppose this is an absurd mistake ; for the power to purchase goods is generated in the process of producing and marketing goods. The purchasing power available in the community is adequate to buy all the goods *actually produced* ; but it by no means follows that it is adequate to buy all the goods that the industrial system is *capable of producing*. If there is a diminution of production, there is also a

diminution of purchasing power in the hands of consumers¹; for wages and salaries are not paid in respect of production which does not take place. Thus diminished production diminishes the purchasing power of consumers, and so interposes a barrier in the way of again increasing production. This, however, does not tell us what is the original cause of production being diminished.

Whence, then, arises the original lack of purchasers able and willing to buy the goods which manufacturers are able to offer for sale? It arises from the faulty distribution of income in the community. Although the purchasing power generated in the processes of production and marketing is adequate to buy the whole actual product, it is wrongly distributed. The great mass of the wealth-producers receive each only a small share in the purchasing power, while certain small classes—the captains of industry, the financiers, the investors—receive each a relatively large share. The mass spends most of its share either on immediate consumption or on social insurances of one kind or another. But the dividend and profit receiving classes can provide for their needs out of a smaller proportion of what they receive. They “save,” or rather invest, the remainder, while sums expended by the workers in social insurances, and the huge sums which modern businesses and financial concerns place to reserve, also become available for investment. What

¹ I am not suggesting an absolute correspondence. There are numerous factors, including the time-factor, which would have to be taken into account if this point were raised. But it is not germane to the argument, which does not require absolute correspondence.

becomes of these sums invested? To what manner of enterprises are they applied?

The purchasing power of the labouring masses is too small, and too inexpansive, to provide any large field for expansion in the supply of consumable goods. Even the luxury demands of the rich are soon satisfied. "Savings" are more and more applied to the production of capital goods—that is, to the building of factories and the expansion of the industries which make, not consumable commodities, but instruments of further production. As these instruments of production cannot be used to supply a home market whose *economic* demand is already fully met, they must be applied to production for export, not by way of exchange for the products of other countries—for who is to buy these products when they have been imported?—but by way of further investment. Thus, more and more capital and equipment is piled up in the industries producing capital goods—usually called the "constructional industries"—of which the chief are the metal-working and contracting groups; and a rapidly increasing necessity is imposed to find fresh markets for the investment of capital abroad, a task of increasing difficulty in face both of the competition of other countries and of inflated costs of production due to the advancing claims of capital to profits. For, as the difficulties of capitalism increase, its demand for profits, and for the guarantee of profits, becomes ever more clamant.

The point of this indictment is not that too much is "saved," or invested in the means of further production. If the economic system were rightly organised, the community could afford to "save" far more—that is, to spend far

more than it spends to-day on the improvement of its productive resources. The purpose of such investment, however, should be to make possible, as the result of increased productive power, an increased distribution of consumable commodities, in the production of which, or in the increase of productive resources, every worker could find full employment. Whereas our present plight is that the increase of our powers of production leads, not to an increased distribution of the good things of life, but mainly to a further production of capital goods. Now capital goods—factories, machines, and so on—are of no use unless they are actually used to produce, or help towards the production of, consumable goods, things that ordinary people can actually use and enjoy. But we go on piling up means of production, which then stand idle, or partly idle, because of the impossibility of finding purchasers able and willing to buy their products at a price at which their owners will consent to sell.¹ As soon as our ability to sell our "surplus production" abroad reaches its limit or encounters a check, unemployment is the inevitable consequence. Thus, we see the ridiculous spectacle of syndicates and associations agreeing together to limit their output, or even paying certain factories heavy

¹ This argument is not at all inconsistent with the view, expressed by Sir Leo Money and other writers, that productive capacity in this country is under-developed in many respects, because it pays better to erect factories abroad than at home. Broadly speaking, our constructional industries—*i.e.* those which produce capital goods—are highly and disproportionately developed, whereas our industries producing consumable goods often suffer from shortage of capital. This is because of the limited economic demand for these products.

"compensation" as long as they will refrain from producing at all, while these very syndicates continue to turn out—in reduced quantities, it is true—further means of production which will then call for a further restriction of output in order that the "limited market" may not be overstocked.

Recently a financial paper made me laugh. On one page it explained the immensely profitable opportunities of a syndicate formed to develop the vast potentialities of Upper Egypt for the production of cotton. On another page it recorded the measures taken by the Egyptian Government and the cotton producers of Egypt to cut down the production of cotton within the areas already under cultivation. Yet there is nothing in this to cause even the flicker of a smile on the face of the ordinary orthodox business man. This sort of thing is happening every day.

In fact capitalism is in a fatal difficulty. Its claim to the support of the world has been based on its power to increase production. But the only production that finally counts is the production of articles of use or enjoyment. Capitalism cannot devote our immense productive resources to increase its output of such articles because it fails to distribute purchasing power in such a manner as to create an adequate economic demand for them. It has hitherto maintained production by making more and more capital goods. But this process cannot go on indefinitely; for unless these capital goods can be used to produce consumable goods they must stand idle, and are obviously useless. The point comes when they too cannot be sold, and production has to be restricted in this

direction also. This does not mean that there is purchasing power in the market that cannot be used (save for a very short time); for if the means of production stand idle they cease to generate purchasing power. The community is poorer, both in goods and in the ability to buy goods. Moreover, it has on its hands a vast horde of unemployed workers for whom the capitalist system confesses its inability to find work.

There is no remedy for this situation short of a drastic redistribution of purchasing power, and not merely of the actual purchasing power which exists in the community to-day. We need, not merely a redistribution, but rather a new basis of distribution. We need at least an approximate equality of incomes, in order that a proper proportion may exist between the economic demand for consumable and for capital goods. But we need also a new principle of distribution—the basing of incomes, no longer on actual production, but on the capacity for production. We must distribute, and distribute with approximate equality, enough of purchasing power to buy all that we are able to produce. That, as we shall see clearly later on, is the means both to the greatest production and to the abolition of unemployment.

IV

THE "TRADE CYCLE"

ANYONE who gives a glance at the chart reproduced as a frontispiece to this volume will see that the volume of unemployment, as measured by the available Trade Union returns, fluctuates very greatly from time to time, and apparently with some approach to regularity. The chart showing the percentage of workers unemployed from year to year presents the appearance of a row of high mountain peaks separated by deep valleys. There is, indeed, no absolutely clear regularity in the movement. Thus the bad years from 1852 onwards—the worst years of each depression—are separated by varying intervals of 6, 4, 6, 11, 7, 7, 11 and 4 years, while the best years of each boom occur at intervals of 7, 5, 7, 10, 7, 9, 7 and 7 years. The war and post-war years, during which wholly abnormal factors have been at work, are here left out of account. While there is no absolute regularity, there is at least a clear alternation of booms and slumps at intervals of a few years, and a fairly marked tendency for the intervals between the booms and the slumps to be approximately equal.

Much has been written by economists in support of the thesis that booms and slumps do in fact succeed each other at regular, though not at constant, intervals. Into these arguments it is impossible to enter here: the reader, if he

has a mind, must follow them for himself in the larger works devoted to the question. It is enough for us to perceive that, whether or not the intervals are regular or rhythmical, trade and employment do in fact pass through alternating periods of boom and slump, slump and boom, periods of improving or declining trade, when employment is fair to middling, serving to separate the times of unusually good or unusually bad employment.

The whole period, including both the times of good and bad trade and the intervals leading up to each, is generally called the "trade cycle," and economists have devoted much attention to observing its phenomena and seeking to assign to them their causes. The "trade cycle," being a circular movement which repeats itself on completion, can be taken as beginning at any point. One can begin to study it at the boom or at the slump, or at one of the times of improving or declining trade preceding boom or slump. It is most usual, and most convenient, to take as starting-point a time of improving trade. What are the signs of such a time?

First, increased orders are flowing into the factories and traders are replenishing their stocks of goods in consequence and in expectation of increased demand. There is a feeling among the various sections of the business world of confidence in the future, and this confidence is itself an important factor in stimulating demand. A trader who feels confident will order more goods for stock than one who feels depressed. At the same time prices are rising, also both in consequence and in expectation of the growing demand for goods, and not only the prices of

commodities, but also the prices of industrial stocks and shares are moving upward in anticipation of increased dividends to come from the fruits of expanding trade. Wages, which move upward as a rule far more slowly than prices, are probably in most cases still stationary, and their purchasing power is therefore declining as prices rise. These low wages mean low costs of production, and the prospect of high profits derived both from increased output and from higher prices. All these factors combine to increase confidence, and give trade a further forward movement.

Now manufacturers who desire to expand their output require for the purpose additional financial assistance. They must have advances—credits—in order to enable them to manufacture the goods which they will subsequently sell at a good price. They have to pay wages and the price of materials before they themselves are paid for their goods. Accordingly, they go to the banks for advances, and every sign of improving trade leads to additional demands for credit from the banks. The bankers, sharing in the feeling of confidence, make advances more readily, and credit expands. The rate of interest on borrowings is raised, but still the borrowings increase, and contribute, usually, by their increase to the rise in prices.

The captains of industry are not long content merely to make fuller use of the existing plant and factories. They set about the building of new factories, the acquisition of additional plant, the floating of new companies for ventures which promise to yield a good profit. They appeal to the public to invest money for these purposes, and the banks also help with further

advances. In other words, the volume of new capital issues increases, and a powerful stimulus is applied to the constructional industries. For before new factories can begin to supply consumable goods, these factories must be built and equipped with machinery. New capital and further bank advances flow most readily into the industries which make machinery and other means of production.

As wages have lagged behind the rise in prices, an increased proportion of the national income is going, under these conditions of improving trade, into the pockets of those who live by interest and profits. The margin between costs and selling prices grows larger, and enables firms to make much bigger profits. These are partly distributed as dividends, and partly retained by the firms and used for investment or for the expansion of the business. In either case the effect is largely the same. Only a part—probably a small part—of the increased profits is spent in increased consumption: the greater part is invested, and thus creates a demand, not for final consumable commodities, but for further means of production. The chief stimulus thus flows more and more into the constructional industries, which expand hugely as the boom approaches.

By this time improving trade is passing into the stage of boom. The workers, although their wage-rates have lagged seriously behind prices, have the difference to some extent made up by fuller and more regular employment, overtime and higher piecework earnings, and so on. But, as they see the huge profits that are being made, they become more and more discontented with low wage-rates, and begin to press

for advances. With or without strikes, they achieve something of their purpose, and wage-rates rise gradually, perhaps to a level corresponding to the increase in the cost of living. As long as the boom continues, and prices are still rising and trade expanding, employers find no difficulty in paying the higher wages and still making greatly increased profits. To some extent the rise in wages stimulates the demand for consumable goods, and so gives an impetus to the industries engaged in their supply. But it also sends up prices further, as the higher wages are passed on to the consumer.

Now there seems, on the face of it, no reason why this process should ever come to an end. High prices, it appears, so far from being bad for trade, are positively good for it; since it pays to buy, and to embark on fresh enterprises, as long as prices are rising. Why can we not go on with the boom, with rising prices, profits and wages all the time, for ever and ever? We know that in fact every boom has come to a disastrous end in crisis followed by a corresponding slump. Why?

One possible reason lies in the structure of our banking system. Our bankers, in making advances, work on the principle that their total loans to customers must not exceed a more or less fixed proportion to their "reserves." These "reserves" were originally gold lying in the Joint Stock Banks or in the Bank of England; but nowadays there are other holdings which are regarded as equivalent to gold. In times of depression, bank loans fall far below the maximum limit. As trade expands, bank loans increase, until the limit

is reached, or even slightly exceeded. Then the banks refuse further loans, and so check the expansion of trade, which demands ever-increasing loans for its further developing as prices rise and the volume of business transactions grows. The supply of reserves, which are finally based on gold, cannot be rapidly increased, as the world's gold supply grows but slowly. Bankers therefore must either restrict advances, or run the risk of not having cash enough to meet the demands of their customers for gold or its equivalent.

The view that trade booms end only because banks restrict advances has led to the rise of the school of thought which claims that, if the "gold standard" were abolished, and the banks would issue credit freely without limit to finance future production, the cause of crises would be removed, and trade booms would never end. It is true that prices would rise endlessly to an infinite height; but would this matter if profits and wages went on rising at least in proportion, and indeed more than in proportion, owing to the continually increasing production? Immense prices have their inconvenience: it is a nuisance when a cigarette costs a million roubles; and the currency has to be changed to suit the new price level. But this, after all, is a minor matter. If we have money enough to buy all we want, it does not greatly concern us how much we have to pay. A general rise in prices and a corresponding general rise in incomes cancel out.

Now if adequate purchasing power were distributed among the mass of the people to enable them to buy the whole production at home, and if each country were a closed and

self-contained economic system having no relations with other countries, there seems to be no reason why this system should not work, or why it should not secure the indefinite continuance of the boom.¹ But these are two very big "ifs," and if they were both realised the phenomena of trade crises and unemployment would not exist at all. We have seen, and we shall see further, how bad distribution of purchasing power affects the problem. And, in the second place, the country is not economically closed or self-contained. It depends on its exports and on its imports of essential foodstuffs and materials.

It is not the case, as is sometimes suggested, that even a sensational rise in prices necessarily makes it harder to sell our goods in foreign markets. For the foreign buyer will not need to pay the increased price. If we inflate by issuing an enormous volume of bank loans, and so raise our price level, the result will be a movement against us of the foreign exchanges. This means, in plain language, that every £1 we spend abroad will buy less, and that for every £1's worth of British goods exported we shall get less foreign goods in exchange. Where the £1 was worth five dollars, it will only be worth four. In other words, if we charge the American buyer £1 instead of 16s., he will still have to pay only four dollars, or just the same as before. The mere rise of prices, if it is due to inflation, does nothing to check our foreign trade.

This being so, why does it matter that Britain is not economically self-contained? It matters

¹ Unless those economists are right who assign a dominant part in causing trade fluctuations to the influence of harvests—a point with which I have no space to deal in this book.

because, under our present system of distributing incomes, the progress of the trade boom demands not a steady, but a rapidly increasing, sale of British goods in foreign markets. As we have seen, the chief advantage of the boom—the greatest increase in purchasing power—passes to the classes receiving interest and profits. These speedily satisfy their desire for increased expenditure on luxury, and seek further outlets for the investment of their surplus income. Outlets are found to some extent at home ; but the home demand (that is, of course, the home *economic* demand) for the products of the constructional industries is limited by the capacity of the home consumers to absorb ultimate products—*i.e.* by their purchasing power. That is, it is so limited unless further means can be found of selling *their products* abroad. The investing classes are thus led more and more to seek profitable outlets for foreign investment, for the purpose of selling their surplus constructional products in other countries, and of getting rid of their savings which cannot be profitably employed in providing for further consumption at home. But the capacity of foreign markets to absorb British goods is not unlimited. To the check of the limited market at home is added, under present conditions, the check of the limited market abroad.

The position is usually made worse by the tendency, already mentioned in a previous chapter, for firms to capitalise the prosperity of the boom period (and also their largely unfounded belief in its continuance), by issuing bonus shares to their shareholders, by refloating their companies at a greatly increased capital valuation, and by other methods which, as I

have explained, all tend, under the conditions of modern industry, to raise, if not the actual costs of production, at any rate the margins at which capitalists are willing to do business. The country which goes furthest with this process of inflation of capital, as distinct from inflation of credit, imposes on itself an additional handicap in world trade; for it demands, in goods and not merely in money value, an increased remuneration for its willingness to produce.

While these developments have been proceeding, the pace of the trade boom has been quickening. Unemployment has fallen to a very low point, probably to the 2 per cent. or so which appears to be the approximate minimum under modern conditions. But already there are visible the signs of trouble. The market is becoming overstocked with goods, and men are beginning to complain bitterly of the high prices, and to demand that they shall be reduced. In anticipation of a fall in prices, traders and producers begin to hold back orders. The banks, which have kept a watchful eye on the various phases of the boom, begin to talk of "overtrading," and to scrutinise more doubtfully the manufacturers' applications for advances needed to finance fresh commitments. The restriction of bank advances, which at once checks business development, soon becomes a fixed general policy. In anticipation of declining trade, the banks cut down the volume of their advances to customers, who, deprived of the credits on which their expanded operations are based, have to cut down their own transactions. By a series of stages, which may be more or less rapid, the boom passes into

depression. Firms which have committed themselves deeply without large financial resources of their own are threatened with bankruptcy. Employers hasten to discharge workers, and the number of unemployed rises. Roughly in proportion to the intensity of the boom is usually the severity of the succeeding depression. The stage of slump is reached.

The features of the slump are precisely opposite to those of the boom. Where all were confident, all is now despondency and prophecies of worse to come. As prices tumble, intending purchasers refrain from buying to the last moment, in anticipation of a further fall. For whereas, in times of rising prices, it pays best to buy forward and so escape the continuing rise, in times of declining trade it pays to hold off till prices have reached bottom. This fact undoubtedly serves to make the depression worse. Prices, I have said, tumble as the slump develops; but their downward course is by no means regular. Wholesale prices practically always fall some time in advance of retail prices; for the increased difficulty of selling affects the producer and wholesaler before it communicates itself seriously to the retailer. The latter, moreover, having paid a high price for his stock, is unwilling to sell at a loss, and therefore holds out to the last moment for a remunerative price. At length the falling wholesale prices and the unwillingness of the public to buy force him, through his urgent need for ready money, to cut down his prices, and, some months behind wholesale prices, retail prices come tumbling down. Stocks are sold "regardless of cost"—that is, of the high costs prevailing at the time when the retailer purchased them. Gradually,

stocks are worked off: more gradually the restriction of supply by manufacturers causes a shortage of goods, and prepares the way for a revival. Wages are meanwhile being forced down, often considerably more than in proportion to the fall in the cost of living; for the widespread unemployment weakens the Trade Unions, and makes resistance to the demands of employers very difficult. The workers, moreover, lose not only by the fall in wage-rates, but also by the reduction of earnings through loss of overtime and piecework balances, through short time and discontinuous employment. Their purchasing power is greatly reduced, and the home demand in the industries producing consumable goods therefore falls and spreads unemployment more widely still. At length a point is reached below which labour costs of production cannot be cut down. Prices touch bottom, and those purchasers who have been holding off for the lowest price conclude that it is time to buy.

Business confidence, which has been ebbing, now begins to revive. Things, it is freely said, can be no worse. It is necessary to get busy buying and developing enterprise before prices begin seriously to rise. Speculators begin to buy depreciated industrial shares in anticipation of a rise in their value; and, as a rise in demand affects price, their action in buying causes the price of these shares to rise. Just as the feeling of depression spread before through every section of the business world, so now the feeling of confidence spreads. We have returned to our starting-point, the beginning of the period of advancing trade and employment, leading on to the boom and so again to depression and slump.

I do not pretend that this account of the course of a trade cycle is either complete or even adequate ; but it is the most that I can attempt in a small book such as this. After all, the ordinary student of unemployment—perhaps a practical sufferer of its consequences—is not concerned with the details of the cycle, but with the broad question whether it is inevitable or could be avoided by better management of our national affairs. It is sometimes suggested that a remedy lies ready to hand, of such a nature that it could be applied without any fundamental change in the capitalist organisation of industry. If this is so, it is certainly worth our while to know about it ; for unemployment causes such distress, and so weakens the fibre of the Labour movement, that even measures which are no more than palliatives deserve the fullest consideration. Not only the official Labour bodies, but also the Unemployed organisations, are compelled to put forward programmes designed to relieve distress and to provide emergency employment for those out of work. If there is a way, even under capitalism, of reducing or eliminating trade fluctuations, the workers cannot afford to disregard it. But is there such a way ?

V

THE WAR AND AFTER

DURING the war unemployment sank almost to nothing. There were less people out of work between 1916 and 1918 than even at the height of the biggest trade boom. The reasons for this are clear. First, about five million persons had been taken away from industry to the armed forces. Secondly, those who were left were called upon to produce quantities of goods determined, not by the ordinary economic necessity of finding purchasers, but by the necessity of the State to secure the greatest possible output at any price. There was money to pay for all that could be produced, because, if money was lacking, the State simply borrowed it and the banks simply created the money by issuing fresh credits. The State borrowed at home and abroad; the bankers and those who had money to spare lent freely at high and rapidly rising rates of interest. As long as this process continued, there could be no lack of employment; for the amount of money in circulation was determined by the amount of goods that could be produced, and, as this creation of money forced up prices, more money was created to buy all the goods at the higher prices. As long as the State was buying on a colossal scale for war needs, the problem of "economic demand" did not arise.

But the war ended, and the war buying

ceased with it, leaving this country—and the other belligerent countries—each with a monstrous burden of debt. Why was not the immediate result a vast collapse, and the recurrence of unemployment on a vast scale? Partly because it took some time to demobilise the armies, especially in face of the continuance of lesser wars; and partly because there was in the world a great deal of urgent work waiting to be done, work which could not get done during the war because of the pressure of war demands, or actual replacement of things destroyed during the war. But an even greater reason was that the nations had got used, in war-time, to piling up huge debts regardless of consequences, and the whole financial system had adjusted itself to war conditions. For a time, reckless borrowing and the creation of huge credits by bankers and financiers continued. Prices went on rising even more steeply than during the war: huge profits continued to be made. There was a period of artificial and illusory prosperity, based on highly insecure foundations.

But this did not—and could not under the conditions existing—last for long. The demand from abroad began to fall off; and Governments began to take fright at the huge growth of public debts, in effect a prodigious mortgage on future taxation. Moreover, the Peace Settlement had created formidable barriers in the way of international trade. The conquered countries, condemned to pay, presumably in goods, impossibly large indemnities, could not afford to buy, while their productive resources were decreased by the loss of some of their richest economic areas. The continuance of unsettled

conditions in many parts of the world prevented production from being resumed on a sufficient scale. The forcible exclusion of Russia from the world economic system, and the dislocation of Russian industry and agriculture, upset the world's economic balance. The burden of debt in the victorious countries forced up taxation, and with it prices, to an unprecedented height. When the United States of America, the country which emerged from the war richest, least affected productively, and in the position of creditor to the rest of the world, began to deflate its financial system and to force prices down, Great Britain in particular was terrified into following the example thus set. Britain is heavily in debt to America, and our financiers feared the effect of a heavy movement of the American exchange against this country. For every downward movement of prices in America increased the value of the dollar, and so increased the real amount of the British debt to America. In Great Britain also a policy of deflation was begun.

While this policy brought prices down, it did not give any substantial advantage to purchasers abroad. As fast as our prices sank, the rate of international exchange moved against the countries trading with us. Our position was better in relation to the American debt, but the conditions preventing trade with Europe remained in full force. The European countries which were formerly our best markets still could not afford to buy more than the absolutely indispensable minimum of British goods. But, as our trade boom proceeded, we required to sell more and more goods abroad.

Moreover, deflation reacted severely on our

internal trade. While prices are rising, it pays to buy freely, in order to sell again at a higher price. As soon as prices begin to fall, it pays best to hold off buying, wherever possible, in order to buy more cheaply later on. Deflation involved a big restriction in the credits advanced by bankers, which themselves formed the largest part of the inflation. Bankers are willing to lend while prices are rising ; for those who buy with borrowed money are likely to make profits. They are far less willing to lend when prices are falling ; for there is much more risk that the borrowers will make a loss, and the bank fail to get its money back. Modern business depends essentially on bank advances—almost every trader trades largely with the aid of overdrafts at his bank. If the bank lends less, he can trade less, and therefore employ less workers, and the workers in turn can get less wages. The restriction of bank credits thus leads at once to a decline in trade and to a fall in demand which in its turn creates further unemployment.

Those who defend the policy of deflation—that is, of reducing Government loans and bank overdrafts in order to bring down the level of prices—argue that, even if it was possible to continue the policy of inflation for a further period, the inevitable result would be to make the slump, when at length it came, as it must come sooner or later, proportionately worse, since there would be further to go, and more deflation necessary, in order to get back to a normal level of prices. This is true, if we exclude the possibility either of a general stabilisation of prices at the high level reached during the boom, or of so large an increase of

production as to catch up the inflation. The former could only be achieved, in face of the problem of international debts, if all Governments and bankers in all countries followed a uniform policy, and if the economic circumstances of all countries were on a more or less equivalent level — conditions certainly not realised in the post-war world. The latter is impossible under capitalist conditions, if only because each increase of production is treated as a basis for further inflation, and the stoppage of inflation reacts immediately on production. We must therefore take it as true that, while deflation might have been more gradually and cautiously applied, we could not have overcome our difficulties merely by continuing the process of inflation.

It is to be observed that one of the consequences of deflation, involving a fall in prices, is to make the real burden of the internal National Debt proportionately heavier. The holder of War Bonds is entitled to his fixed interest: if prices fall, he can buy more goods with the same sum of money, and his toll on production, in the form of a share in the goods produced, therefore grows heavier. This is one of the main arguments of those who demand a capital levy, or alternatively a reduction in the rate of interest on the Debt, in order to reduce the claim on production of the debt-holders, or at least to prevent it from rising as prices fall.

Deflation immediately produces unemployment. That is undoubted. But it is a mistake to regard the deflation of the past two years as the real cause of the unemployment we see around us. Deflation determined the time at which the slump began: it did not cause the

slump. The slump itself is traceable mainly to two sets of causes: first, the effects of the war and the unjust and outrageous Peace Settlement; and secondly, and far more fundamentally, the effects of capitalist accumulation and the maldistribution of income in the community. Indeed we may say that the present slump, more severe by far than any within human memory, is really two slumps operating simultaneously, and, of course, reacting on each other.

The war did not materially, if at all, decrease the world's productive capacity. It decreased it in some directions (*e.g.* devastated areas, Russia, shipping destroyed, etc.); but it increased it in other directions (*e.g.* increased productive plant in certain industries, bringing of fresh land into cultivation, new ships built, etc.). The root trouble is not a decrease in the world's capacity to produce, of which there is no evidence. But the war did increase the already existing maladjustment (see Chapter III.) of productive powers between industry and industry, especially by piling up huge unusable productive capacity in the metal industries. It also dislocated markets, cut off productive works from their supplies of material, as in the German and Austrian losses of coal and iron, and, above all, destroyed the previous balance of purchasing power between country and country. It thus rendered much productive capacity unusable for purposes of actual production. It decreased production, without destroying potential capacity to produce. It is unnecessary to analyse here the effects of the Peace Treaties in this respect. They have been excellently analysed in many books; for example, in Mr Keynes's *Economic Consequences of the Peace*

and in Mr Norman Angell's *Fruits of Victory*. Probably the war and the Peace are directly responsible for half the present amount of unemployment, and for more than half the prospective unemployment of the coming years.

But, while these causes have made the trade slump infinitely worse, they are not its primary cause. The primary cause lies in the structure of capitalist industry itself, in the working out of the factors which we have already analysed in previous chapters, especially in Chapter III. The exaggerated boom of 1919 and 1920 caused the evils characteristic of capitalist industry to manifest themselves in a grossly aggravated form. Huge profits were made, huge credits advanced. The investing classes drew in addition huge sums in interest on the National Debt. All these sums, in the hands or under the control of a small class of persons—High Finance and Big Business, Two in One and One in Two—went mainly, not to increase the purchasing power applied to buying consumable goods, but to swell the volume of industrial investment, principally in the constructional and other exporting industries. Thus, just when the power of customers abroad to buy was rapidly sinking to the lowest point, more and more capital was being applied to building up enterprises which could only live by finding vast new foreign markets to absorb their surplus products. It may be said that we might have exported our surplus goods to America, and so paid off our debt to her ; but American business, while insisting that we should somehow pay our debts to it, desired to keep its markets for its own products, and erected a high tariff wall to keep out our goods. America also is suffering

from the capitalist disease of under-consumption. She desires to have it both ways : she will find that she cannot, as we found when we tried both to exclude German goods and to get an indemnity.

As we have seen, British traders and manufacturers have tried, wherever possible, to meet the decline in effective demand by a deliberate and intense restriction of output, with the object of maintaining prices and profits. More than one capitalist ring has already collapsed under the strain of this policy, and been compelled to let prices drop. But many more are still holding out, and, by doing so, aggravating the depression and creating additional unemployment. At the same time, those who adopt this policy complain of high rates and taxes, though it is obvious that their restrictive policy, by drawing the workers to the State for support, makes these burdens inevitable, and compels the community to maintain in idleness persons to whom this policy denies the right to work.

The present depression will, to some extent, pass away. As the rings cease to be able any longer to hold up prices at a monopoly level, or to extract further concessions from the workers in the form of higher output, lower wages, or increased hours of labour, prices will touch bottom, and this will prepare the way for an improvement. It will no longer pay to hold off from buying : those who can will buy in anticipation of a rise stimulated by the increased demand. The same motive, the likelihood of rising prices, will impel the banks to grant advances more freely. We shall start again—perhaps we are already faintly starting—on the upward movement of the trade cycle. But this

upward movement will once more carry with it the seeds of its own destruction; for it will again lead to over-stimulation of the constructional trades, accompanied by under-consumption by the mass of the people. It will prepare the way for another, and perhaps a worse, slump.

Trade, I say, will improve; but there is no evidence that even the coming "boom" will be enough to absorb anything like the whole number of the unemployed. A boom usually reduces the proportion of unemployed to about 2 per cent. The coming boom may leave even 8 per cent. unemployed. For the working of the trade cycle will not remove the causes of economic desolation which arise from the war and the Peace. Unless the world can become economically settled and stabilised on a workable basis, the forces hampering international trade will remain in full operation. And what sign is there that capitalism can clean up the mess which it has made? It may well be that heavy and chronic unemployment has become a permanent thing as a result of the triumphs of Imperialism, and the fuller working out, in consequence of the war, of the vicious tendencies inherent in the capitalist system. I cannot bid the unemployed be of good cheer because trade is on the mend. Will it—can it—mend enough as long as capitalism survives?

VI

PALLIATIVES AND REMEDIES

EVERYONE, from the Unemployed leaders to the champions of Big Business, agrees in maintaining, as a matter of theory, that "doles" are demoralising, and that it is far better to provide work than to pay relief. But some difficulty is experienced when this theoretical agreement has to be translated into practice; for the provision of work, even if it pays better "in the long run," comes expensive at the time, and involves a far heavier out-of-pocket cost than the inadequate sums which are paid as relief. Again and again, therefore, statesmen, after proclaiming their belief in work instead of doles, fall back on doles in order to spend less public money. Moreover, until the slump reaches bottom, prices are falling, and some loss on capital expenditure on public work is therefore inevitable in many cases. The fact that expenditure on doles is absolute waste, whereas money spent on work can be made largely reproductive, does not count against the immediate inducement to keep down the nominal public expenditure.

The Labour movement consistently presses for the provision of work, and denounces the inadequacy of the schemes put forward by the Government. It points to all manner of work that is urgently needed—roads, houses, schools, slum clearance, rural development, electrification

—and urges the institution of big State schemes of public development. The other parties reply that this is merely an attempt to reach Socialism by a side-wind, and that the nation cannot afford it. How far is this last argument true?

It is sometimes suggested, on the Labour side, that all that is needed in order to abolish unemployment, or at least to reduce it to very small proportions, is a redistribution of public work, so as to make the volume of public contracts given out greatest when trade is slack and least when it is brisk. It is urged that the volume of public work, national and local, is now so large that its redistribution on this principle would even out the fluctuations of employment, and keep demand steady even in the worst times. A plan of this sort, applied to such public work as is readily capable of being put back or hurried forward, has indeed everything in its favour, though it would certainly not achieve all that is claimed for it by some of its advocates. It should be done; but it is not so simple as it sounds. It would involve that the State and the local authorities should tax the public more highly in good years, and put by the surplus for use during the bad years, presumably investing it meanwhile. It would probably result in the State executing many of its public works actually at less cost than is usually incurred; for at present the biggest volume of such work is done during times of good trade and high prices. We may agree, then, that better distribution of public orders on this principle would to some extent ease the situation. It has, however, to be borne in mind that any such policy would have to meet and conquer both the desire of the public bodies to

spend money in good years, when the public temper is confident and the mood lavish, and still more their reluctance to spend money in bad years. The accumulated surplus destined for public works would present strong temptations to economists anxious to raid it in order to reduce rates and taxes.

The better distribution of public work would not, however, by itself do more than a little to ease the situation. It would not remove at all the main causes of fluctuation to which reference has been made, or do much to prevent that over-investment in the constructional industries which arises from the bad distribution of purchasing power. It would certainly not prevent the sensational rise in costs and prices or do away with the under-consumption which is the main factor in causing the crisis leading to the slump. This plan deserves to be put into force as far as possible as a means of providing work in time of slump; but it will not prevent the slump from taking place.

This, however, is distinct from the question how far the State could, if it would, find work for all the unemployed. That it could, by applying the requisite measures, find employment for far more than it actually does set to work is beyond dispute; but its ability to find work for all without a fundamental change of system is another matter. There are three principal difficulties. First, the cost would be so large, even if the work done were ultimately productive, as to cause the breakdown of the present financial system. This might be a very good thing; but it is not a step which either a capitalist, or even a moderate Labour, Government is likely to contemplate with equanimity.

For at times of slump there arises a vigorous, if mistaken, demand for Government economy, including borrowing as well as taxation. Secondly, public works are for the most part of a kind which employs mainly unskilled labour, or the skilled labour of only a few trades. It is true that the wages paid to these workers, by increasing demand, would react on other trades. But they would not react enough to revive, say, the shipbuilding or the cotton industry. The labour in these and many other industries is not readily transferable, and the State, in order to employ *all* the unemployed, would be compelled to undertake production directly in these industries, or else to buy their goods, on a scale large enough to absorb their surplus workers. But, if the State adopted this course, how, under present conditions, would it sell the products? For the workers would certainly not have the money to buy them all. If the State reduced prices in order to sell its products, it would merely bring the private production in these industries to a standstill, and make more unemployed as fast as it removed unemployed from the labour market.

We are thus brought back to the fundamental difficulty. Our industrial system can only be kept fully going by maintaining a huge export of capital; for the mass of the people lack the purchasing power to buy the products it is able to produce. State production would not escape this difficulty, unless the State placed in the hands of the mass of the people enough purchasing power to buy the whole available national production, either directly or in the form of imports received in exchange for exported products. But this presupposes a

fundamental redistribution of purchasing power which is certainly not consistent with the retention of the capitalist system or the financing of industry by investment of the surplus incomes of the rich.

Because all this is true, it is not the less necessary for the workers to press for the extension of public works, and for the taking of further measures to provide employment in preference to paying doles. But we must not mistake what is at best only a partial palliative for a means of curing or abolishing the disease of unemployment. There are narrow limits to what can be done without interfering with the fabric of capitalism itself.

It is sometimes urged that all our ills are due to the policy of "deflation"—that is, broadly, of restoring the gold standard, restricting public borrowings, making the Budget balance, and cutting down bank advances. It is stated that if we, like Poland, and to a less extent France, had allowed prices to go on rising by continuing to inflate the currency with paper money and growing bank credits, we should never have been faced with the present crisis. I believe, indeed, that the policy of deflation was too hurriedly carried out, and that it made the present slump worse; but it seems to be clear that a continued policy of inflation, involving a huge and continuing rise in prices, while it would have staved off the slump, would have made certain either its ultimate occurrence in a far worse form, aggravated by a far heavier burden of public debt—in other words, indebtedness of the workers to the rich—or a complete collapse of the whole economic system. This last might have been a good thing; but it is not

a policy which any save a revolutionary Government is likely to adopt. France or Poland or Russia, as predominantly agricultural countries, would be very differently affected from Great Britain, which depends on imported foodstuffs, by financial collapse.

The preceding paragraph is an obviously and even absurdly inadequate treatment of a very large subject. I let it stand, not because it in any way disposes of the question raised, but merely in order to indicate a further field of inquiry which this small book gives me no space to traverse. The worst of trying to write briefly and simply about unemployment is that there is hardly a question in the whole science of economics that is not closely connected with it.

We must, I have said, press for more and bigger public works as a better means than doles of dealing with the immediate problem of provision for the unemployed. We must also insist, to the fullest possible extent, that all workers employed on such works shall receive the full standard rates of wages. This is necessary not only in the interests of the workers concerned, but also in order that they may be able to exercise their full effect in the state of demand—that is, to buy more goods—and in order that the wages of other workers may not be beaten down by the low wages paid in public works. Every reduction in wages, unless it leads to a corresponding fall in prices, is so much subtracted from the demand for goods, and therefore tends to make the slump worse in the home market. The destruction of the workers' purchasing power is surely an odd way of meeting a slump which arises from a shortage of economic demand for goods.

Just as we must press for Trade Union wages on relief works, we must press for an adequate standard of maintenance for those for whom no work is found. Our aim, on human and economic grounds alike, must be to maintain at a good level the purchasing power of those who are thrown out of employment. How can we expect to sell our goods if we deny to a large section of the people the means of buying them?

VII

RELIEF AS IT IS PRACTISED

THE rich fear this vast body of unemployed workers left in idleness and penury by their failure to organise the productive system aright. I say their failure, for they are in control of the huge productive resources of modern society, and as long as they retain control the responsibility for proper organisation rests on their shoulders. It is their business to supply the needs of all as fully as the productive resources allow: it is their business to see to it that work is available for all who are able and willing to serve. Their failure to do this may not be an indictment of them as individual human beings; but it is an indictment of the system which they uphold and by which they profit.

I say that the rich fear the poor whom their system dooms to unemployment. And, because of this fear, they dare not leave the unemployed to starve—a step which might also outrage the consciences of numerous well-meaning persons—including themselves; for the normal capitalist believes in capitalism, and seeks to justify himself in his efforts to maintain it. Accordingly, there have been, ever since Capitalism has existed, and indeed long before it came into existence, agencies to which persons who can find no work are permitted to go for relief. Until recent days the principal of these agencies

has been the Poor Law ; but, so far as the workers in most industries are concerned, some provision is also made nowadays by the method of contributory Unemployment Insurance.

Whether relief is administered by the State Insurance officials or by the local Boards of Guardians supervised by the Ministry of Health, the aim of those in power is to keep the sums paid in relief down to the lowest possible point. The workers must not obtrusively starve ; but they must be brought as near to starvation as prudence, tempered by the faint flickerings of the social conscience, will permit. As Clough put it :

Thou shalt not kill, but needst not strive
Officiously to keep alive.

The relief given must be, in every possible case, less than the earnings of the lowest-paid class of "independent labourers," or else men will seek relief in preference to work, and, worse still, the "independent labourers" will demand some betterment of their position. Relief must be regarded as degrading, and it must be made as unpleasant as possible for those who are entitled to it to make their claims. The administration must be hedged round with as many formalities as possible, in order that the imperfectly educated worker may be at a disadvantage, and be fully conscious of his inferiority. Moreover, as a refinement of cruelty, our rulers have recently hit on the pleasant device of paying relief irregularly, on the basis that it will do the worker good to starve for a few weeks, as long as he does not starve absolutely to death. The "gap" system, well known to most of the unemployed to-day,

and many little ways of the Boards of Guardians, are examples of this form of Christian charity. And the greatest of these is the "gap" system.

The limit to the degree of starvation which can be inflicted is set mainly—for the public conscience is dull to all suffering that does not obtrude itself on the notice of the educated classes—by fear. But even fear, as Mr and Mrs Webb have recently pointed out, is dulled. The old-time capitalist employer stood a good chance of getting his house and factory burned down: to-day the unemployed only walk in procession and get their heads broken by the police. I am not advocating acts of disorder—the modern police system is far too strong to be menaced by sporadic outbreaks of the violence of despair. I am only pointing out that the forces of law and order in large measure remove rich men's fears, even in times of the greatest distress.

Yet it is true that the workers to-day do not suffer as their ancestors suffered in the bad days of the Industrial Revolution and the Hungry Forties. The standard of comfort has risen since then—even for the unemployed. But it has not risen at all in proportion to the immensely increased resources of society, or to the increase in the wealth of the richer classes. Nor has it risen in proportion to the apparent increased strength of the Labour movement. Trade Unionism, despite its established position and the growth in the numbers of its adherents, still does little enough to protect its unemployed members. It is true that many Trade Unions provide, for a limited period, out-of-work benefit; but this is still far below the standard of the weekly wage, and it comes out of the pockets of

the workers themselves. It is merely the putting by of part of the wages for a rainy day. Similarly the State, in providing Unemployment Benefit, makes the workers contribute heavily out of their wages to its cost, and aims at throwing upon them the largest possible share of the burden. Even the Poor Rate is drawn partly, by methods direct or indirect, from the pockets of the working class.

During short spells of unemployment only the lowest-paid grades of workers suffer as a rule serious privation. The rest have savings, put by for old age and sickness or accident, upon which they are compelled to draw in order to eke out the pittances provided out of public funds. Before the present slump began, the workers held considerable sums in War Loan and other savings. I wonder how much of this has already passed, and how much is passing every week, into the pockets of the rich. Well may the rich encourage the poor to be thrifty. The savings of the poor pass to the rich in bad times, and serve, moreover, to reduce the provision which need be made for the poor out of public funds to which the rich must contribute by taxation. A prolonged spell of unemployment soon dissipates the worker's small savings, and throws him and his family back on the tiny sums doled out by the State and the Poor Law authorities.

Moreover, if here and there the workers capture a majority of the seats on a Board of Guardians and endeavour to give effect to a more enlightened policy of maintenance, they soon find that the strong hand of the Ministry of Health, aided by the clamour of the Press against extravagance at the ratepayers' expense,

restricts within narrow limits what they can do to preserve the health and purchasing power of those who are out of work. The long struggle which the Poplar Guardians have fought with the Government during the past three years has shown both that a courageous body of men, determined to do justice at all costs, can accomplish something for the workers, and that even they can go only a little way in face of the power wielded by the central Government. And most Boards of Guardians, so far from following Poplar's example, are animated by the same spirit of fear and repressiveness as the central Government.¹ In Poplar the Councillors went to prison for their principles: no one has yet gone to prison for paying too little to the unemployed.

The weakness of the Trade Unions in insisting on fair treatment for their unemployed members is largely explained by the position in which the Unions find themselves in times of bad trade—that is, when the plight of the unemployed is worst. The Unions are then weak, compelled to fight under adverse circumstances against persistent demands for wage reductions and weakened conditions of labour, their funds drained away by lock-outs and out-of-work benefits, their membership falling as the less keen among the workers “economise” on their Trade Union contributions. The Unions themselves are then struggling almost for existence; and it is readily argued that they do all they can, even if it amounts to little, and that, for further

¹ For an account of the Poplar struggle see the pamphlet, *Poplar Policy and Finance*, published by the Labour Research Department (1d.), and the Guardians' own account, *Guilty, and Proud of It*, published by *The Daily Herald*.

remedies or ameliorations of their condition, the unemployed must look to political means.

Whether or not this argument is accepted as valid, the fact remains that the Trade Unions, as they are now organised, do not provide adequately for the needs, and the self-expression, of those who are out of work. In times of severe distress, therefore, there arise special unemployed agitations, and special organisations of the unemployed themselves. These organisations, and their relation to the workers' movement as a whole, we must now attempt to discuss.

VIII

THE UNEMPLOYED

SEPARATE organisations of the unemployed, we have seen, arise only in times of depression. When trade is good, most of the unemployed are out of work only for short spells. They do not, therefore, come to regard themselves as a class apart, or acquire a sense of solidarity distinct from that of the rest of the workers. If they are Trade Unionists, they are very likely drawing benefits from their Unions, and looking to their Unions to help them to find a job. Being out of work appears to them, not as a lasting condition, but as a temporary misfortune—an unhappy interruption of the power to earn wages. Unemployment of this type causes much suffering, and sometimes actual privation; but it does not as a rule give rise to a deep-rooted sense of being a social outcast, or engender a distinct “unemployed” state of mind. The fear of unemployment is indeed constantly present to the minds of most workers; but, save in times of acute depression, it does not fully occupy the centre of consciousness even for those who are actually out of work. There is, therefore, save during the worst slumps, no separate organisation of the unemployed and usually no vigorous unemployed agitation.

But when trade depression is acute and prolonged the position is different. There arises a large class of workers who are long out of a job,

and get used to thinking of themselves as members of an almost distinct class—the unemployed. The larger this class is, and the longer the depression lasts, the greater becomes the chance of distinct organisation. This is particularly the case if the unemployed include a considerable number of workers who have been used to relatively high wages and strong Trade Union organisation. These feel and resent the change most keenly, and organise more readily for protest and redress than the less well-paid and less strongly organised grades. The engineers, whose industry is liable to very severe fluctuations, have been again and again the leaders in agitations of the unemployed.

Even where the requisite conditions exist it is by no means easy for the unemployed to organise or to hold their organisations together. The condition of being out of work is discouraging, and leads many to apathy and despair. The unemployed have no money, and depression means that even the employed workers have little to spare in aid of their fellows. If the unemployed resort to the collecting-box and to general appeals for support, that way lie all manner of pitfalls. Some will inevitably use the movement to further their personal interests, and there will be those who seek only to make political capital out of their “charity” to the unemployed. The collecting system, unless it is very well organised, may easily demoralise the body of workers that relies upon it. Still, money must be had, and the unemployed have to get it as best they can, hampered always in the work of organisation by shortage of funds and by the “undesirables” who inevitably hang round the fringes of such movements.

A further difficulty is that not a few Trade Unionists are reluctant to foster the growth of separate movements of the unemployed, on the ground that the Trade Unions exist to cater for employed and unemployed alike, and that separate organisation may easily lead to disastrous divisions between the two sections of the working class. There is some force in this objection ; but clearly the danger is not avoided merely by doing nothing. The Trade Unions, as they are now organised, do not provide effectively for the unemployed. Either the unemployed must organise separately, or the Unions must adapt their machinery so as to make better provision for them.

It would, I believe, be very much better if the latter course were adopted. Separate unemployed organisation, without formal links with the Trade Unions, is both dangerous and unnecessarily difficult to maintain. Why cannot each Trades Council organise a distinct Unemployed Section, placing at the disposal of those out of work the skill and organising experience of all the Trade Union branches in the district ? It is true that, if the Trades Councils are to do this work effectively, they must have some resources placed at their disposal. It would be amply worth while for the Trade Unions, or the Trades Union Congress acting on their behalf, to make grants in aid to the Trades Councils in order to enable them to accomplish this essential work. Moreover, I can see no reason why every unemployed member should not be kept—as some are kept—freely on the books of his Union throughout the whole period of unemployment.

The weakness of the Trades Councils, and the

scant recognition accorded to them by the National Unions and the Trades Union Congress, have been responsible for much evil in the British Trade Union movement. The Trades Councils ought to be in a position to serve as effective rallying-points for the local sense of solidarity, and to act in any emergency as the agents for the carrying out in each district of the national policy of the Labour movement as a whole. To them ought to be entrusted both the organisation of the unemployed, and equally the execution of the unemployed agitation, Marches and demonstrations, demands and protests to Boards of Guardians and other local authorities, the prevention of unnecessary overtime on the one hand and of blacklegging and undercutting by those out of work on the other, educational work and the organisation of recreation for the unemployed—in short, every problem of organisation and action—could be far better planned and carried out by the representatives of the employed and the unemployed, acting together as constituents of a single body, than by either separately, or by any form of occasional joint action between two separate organisations.

During the present slump the unemployed have been compelled to organise as a distinct body, because there has been no provision for the Trades Councils to undertake the work, and no resources at their disposal to enable them to do it effectively. Some Trades Councils have, indeed, even in face of all the difficulties, done their best to secure common organisation and action on the lines here suggested ; but this has seldom been done effectively. The blame for this lies neither with the unemployed nor with

the Trades Councils, but with the National Labour movement, which has been far too late in realising—if it realises even now—that it has any responsibility in the matter.

In the absence of an effective lead from the official Trade Union movement, unemployed agitations and organisations have always been created by bands of active workers already united by some clear community of purpose. The old Social Democratic Federation led the unemployed in the eighties ; and, on the whole, the Communists have been leading them to-day. This does not mean that the unemployed are converted *en masse* to Socialism or Communism, but that they follow the lead of those who are most ready to help them, and most prepared with an intelligible explanation of their plight, and with proposals for protest and action. This leads to the charge that the Socialists, or Communists, are “exploiting” the unemployed ; but certainly those Trade Unionists who have themselves done nothing to help the unemployed agitation have the least right to make such a charge.

Just as, without resources and good national leadership, stable organisation among the unemployed is difficult, so is successful and sustained agitation. It is necessary to be always devising new forms and means of protest and activity, and to sustain the will of the workers to persist, even if for a long time their agitation seems to be producing no effect. The weary round of deputations, demonstrations, marches and meetings must go on ; for it is only by showing sustained courage and determination that the unemployed can hope to drive the authorities into action. Those who are engaged in organising the unemployed are constantly

crying for new forms of activity to be suggested. But such new forms are not easily devised. On the whole, it is necessary to persist with the known forms of agitation, ringing the changes in order to reduce their monotony to the lowest possible point. There is no royal road to the success of the unemployed agitation. Till the workers have the control of affairs in their own hands, they can get only what they can alarm the authorities into conceding.

This, however, is by no means negligible, and it is amply worth while to bring the best available forms of pressure to bear. In order to do this it is essential to get the closest possible co-operation, both locally and nationally, between the unemployed organisations and the Trade Unions. If the unemployed become a sect apart, and lose touch with the general body of Trade Unionists, they cease to have power behind them, and therefore fail to command the attention of those in authority. Even if those in employment are apt to give too little thought to the claims of the unemployed, it is fatal for the latter to react by endeavouring to work in isolation. The workers must take action as a single body if they are to get even partial redress of the most immediate grievances. All forms of agitation—in Parliament, through national and local campaigns, on the local authorities—need the closest possible co-ordination under the auspices of the whole Labour movement, in whose counsels the spokesmen of the unemployed should, of course, have an assured and important place. The greatest task of the hour is the refashioning of the Labour movement so as to provide for the most effective representation of every section of the working class.

IX

INSURANCE *v.* MAINTENANCE

AS we have seen, such relief as unemployed workers now receive under public auspices takes the form mainly of insurance benefits, to the cost of which the workers largely contribute, supplemented by grants from Boards of Guardians in cases of "destitution." Poor Relief is paid wholly from the rates, which indirectly come partly from the workers' pockets, without assistance from State funds. Insurance benefit is drawn from approximately equal contributions from employers and employed, supplemented by an allowance from the State. The principle followed is that the worker, the employer and the public generally should all contribute to the cost of relief.

Against this system the Labour movement has generally urged that, so far at least as the worker is concerned, the provision for the unemployed should be on a non-contributory basis. The right to work or maintenance, it is urged, is a social right, and unemployment, resulting from the bad organisation of the social system, should be recognised as a national charge, to be borne by the community as a whole. Labour presses, of course, for maintenance on a scale more adequate than the scanty doles at present provided; but it presses also for maintenance as a social right and a charge on the whole national resources.

Unemployment insurance is at present, save for one small exception,¹ on a general basis. That is to say, all workers, and all employers, irrespective of the industry in which they are engaged, pay the same contributions, and the workers in all industries receive the same benefits. The only differences are the varying scales of contributions and benefits for men, women, boys and girls ; and these apply equally to all industries. But it is sometimes proposed—there has been recently much discussion of the suggestion—that unemployment insurance should be placed on an industrial basis, or, in other words, that each industry should be called upon to carry, out of the contributions of workers and employers, with no contribution, or only a small contribution, from the State, the burden of maintaining its unemployed under a special scheme of its own. Such schemes would presumably have to ensure a minimum standard of provision in all cases, but each industry would be free, if it chose, to adopt a higher standard, and to pay additional benefits.

Trade Union opinion, as we have seen, is opposed on principle to contributory insurance, on the ground that unemployment is a national responsibility, and that it is a matter over which the worker has no control. But if contributory insurance is forced upon the workers the question remains whether a general State scheme or a scheme of Insurance by Industry under State sanction is to be preferred.

¹ The Insurance industry, which has adopted a "special scheme" under the Unemployment Insurance Act of 1920. The clause enabling such schemes to be adopted is now in abeyance for as long as the Insurance Fund remains in debt to the Exchequer.

On this question Trade Union opinion is divided. A recent inquiry by the Trades Union Congress showed a majority of Unions against Insurance by Industry, but a substantial minority, including most of the textile trades, in favour of the plan.

This difference of attitude is readily understood. In some industries the Labour personnel is clearly marked off, and the custom is to meet bad trade more by short-time working than by actual discharges. Where this is the case, it is clearly far easier to apply Insurance by Industry than where workers pass more frequently from one industry to another. Moreover, most short-time workers are largely shut out from receiving benefit under the State scheme, and it is hardly open to doubt that their needs could be better met by the method of Insurance by Industry. In industries of the other type, however, there would be great difficulty in arriving at any clear demarcation of trades. This difficulty might be overcome; but there is naturally suspicion of the plan, especially in the general labour Unions, which would find their membership divided up among a large number of distinct industrial schemes.

An additional reason for Labour hostility to Insurance by Industry *at the present time* is that the plan is clearly brought forward—it was proposed by the Geddes Economy Committee—for the purpose of saving the State money. The workers feel that, if the present inadequate recognition by the State of its responsibility for unemployment is allowed to be impaired, there will be scant chance, in face of the depression, of getting better provision from other sources. The proposal to adopt Insurance by Industry just now is, indeed, impracticable.

The plan of Insurance by Industry needs to be sharply distinguished from a quite different proposal with which it is sometimes confused—the demand for *Industrial Maintenance*. As sharply as the Labour Party's demand for non-contributory State maintenance differs from contributory State Insurance, Industrial Maintenance differs from Insurance by Industry. What, then, is Industrial Maintenance—a demand principally put forward by Guild Socialists?

We Guild Socialists argue that, since capitalist production involves a reserve of labour, varying between times of boom and slump, and since accordingly the unemployed are as necessary as the employed to the capitalist system, the capitalist ought to pay the worker whether he finds work for him or not. The labour-power of the operative who stands idle, waiting for work, is as much a part of the real cost of producing the actual output of industry as the labour-power actually used in production. The maintenance of the unemployed reserve of workers in each industry ought therefore to be a charge on that industry, ranking as part of the cost of production, and taking precedence of all claims for profit or interest out of the surplus value created. Only after paying full maintenance to every worker can the industry be said to have a surplus.

Another, and perhaps a simpler, way of stating this claim is to say that it is a claim that every worker should receive *continuous pay* from his industry at his standard rate, whether he is fully employed, partially employed, or unemployed. His pay, as continuous as the salary of the managers or directors, is a legitimate first charge on production.

We Guild Socialists argue that the recognition of this principle would have a beneficial effect on production and employment. Under present conditions, as we have seen, it often pays the employers best to adopt, throughout an industry, a concerted policy of restriction of output. Why does this pay them best? Because, if they cut down the number of workers employed, or enforce "short time" working, they have less to pay in wages. But if the wages bill continued all the time, without regard to the volume of employment provided, it would usually pay the employers best to produce the maximum output they could sell at the cost of lowering the price. The adoption of Industrial Maintenance would knock the bottom out of the policy of maximum price and minimum output, which is now the favourite device of profiteers.

It would, indeed, be necessary for industries to make special provision for meeting the charge which Industrial Maintenance would impose upon them. How could this be done? At present, in years of good trade, huge sums are passed to reserve funds, distributed in excess profits and bonus shares, placed in one way or another to the credit of the owners of capital. Industrial Maintenance would involve that the workers should share in these good things. It would be necessary, before paying high dividends, placing sums to reserve, or issuing bonus shares, for firms to place in the Workers' Maintenance Fund of the industry a sum sufficient to ensure against the risks of bad years. As we have seen during the present depression, dividends have been maintained at a high level, largely because firms put away resources enough to pay good dividends even during the bad years. If this

can be done in the interests of the shareholders, why should it not be done in the interests of the workers, whose claim is certainly far more legitimate?

I assume—I need not argue the point—that any reasonably organised social system, any Socialist system in fact, will ensure continuous pay to all who are willing to work. That is an essential part of the Socialist demand. As we make others of our demands now under capitalism, why should we not make this one? It is sometimes argued that capitalist industry could not survive the imposition upon it of the burden of maintaining its own reserve of labour. I do not believe this; but, if it is so, what further condemnation of capitalism need we seek? It pleads guilty.¹

¹ For a further discussion of the question of Industrial Maintenance, see my booklet, *Unemployment and Industrial Maintenance*, published by The Labour Publishing Co. for the National Guilds League.

X

THE SOLUTION

THERE is, I am convinced, no full solution of the problem of unemployment as long as capitalism exists. For capitalism, by a necessity arising out of itself, creates the conditions which make unemployment inevitable. It fails to distribute purchasing power with any approach to the approximate equality which is the sole guarantee of stable productive conditions. It piles up productive power in the constructional industries, as a result of the concentration of purchasing power in the hands of a special investing class. This class, in its search for profits, is compelled to fix its eyes on the ends of the earth, seeking everywhere for markets, fields for the investment of surplus resources, sources for the supply of the raw material needed to keep the giant machine of modern industry at work. This search for markets and territories for exploitation leads to international rivalries and to wars. Even apart from wars, the misdirection of investment leads to recurrent slumps and trade crises, in which the working-class standard of life is lowered and a large section of the workers is thrown out of employment. As the scramble becomes fiercer, capitalists are driven into closer combination, through which they try to maintain profits in times of slump by restricting output and holding up prices, with the result of further diminishing

the purchasing power of the mass of the people, and throwing men out of work. The disproportionate distribution of income is exaggerated, and its consequences made worse, by the piling up of huge public debts, which represent a permanent claim of the investing classes to an increased share in the national production, and, as they become heavier as prices fall, effectively prevent the workers from reaping benefit from a fall in the cost of living.

Unhappily, this accumulation of evils is not, in the short run, fatal to the continuance of the capitalist system. We have, indeed, entered upon the period of the decay of capitalism—a period during which its ability to satisfy human needs is likely to become progressively less. But the dissolution of capitalism, firmly established as a world system, will not be speedy, unless it is brought about by the deliberate action of the workers in substituting for it a better form of social and economic organisation. Capitalism will get less and less efficient, less and less able to supply our needs, more and more subject to slumps and crises. But its end may be all the same far distant. How soon it comes will depend on the preparedness, and capacity for action and organisation, of the working class.

But how far, if the working class made its revolution, and were free to establish its own social and economic system, could it abolish unemployment? It could, indeed, obviously ensure that none should have cake until all have bread, and insist on a more equitable distribution of the available income. I do not suggest that this could be done without difficulty; but that, given the necessary preparation and will to power among the workers, it could be done.

It is, however, a different question how far the workers, by assuming power and organising their own system in one country alone, could abolish unemployment in the sense of securing the fullest utilisation of the labour of all and of the available means of production. In a self-contained country, possessing a strong working-class Government able to enforce its decrees in the country-side as well as in the towns, this could be done, and the necessity for doing it by compulsion would speedily disappear. But Great Britain is far from being a self-sufficient country. She depends on imports for a large proportion both of foodstuffs and of the materials used in her industries. The latter difficulty might be largely overcome by fuller utilisation of home resources: the former might be reduced by better cultivation, but could hardly be removed. The fabric of British industry is woven on the web of world trade. We must export enough to pay for the foodstuffs and materials we require.

Could a Socialist system cope with this problem? A Socialist community, facing capitalist States in other countries, would labour, as Russia has laboured, under huge difficulties. It certainly could not pursue the policy of vast investment abroad on which much of our foreign trade has been built up. But it would not have the same need to do so. For it would set out to export, not for the sake of the profits to be derived from foreign trade for the investing classes, but solely in order to obtain necessary commodities in exchange. It could thus face with equanimity a considerable reduction in the volume of exports, and divert the labour previously employed in producing

these goods to producing goods for home consumption, which the better distribution of purchasing power would enable the home consumers to buy. It would be free to set to work producing for use instead of profit.

The export even of the reduced volume of commodities and services required to pay for essential imports might indeed present grave difficulties in face of a boycott by the capitalist Powers. That is the weakness of Britain's world position from the standpoint of revolution. It would also present grave difficulties in face of the present chaos in Europe—the upsetting of markets, the destruction of the purchasing power of the defeated countries, and so on. But these difficulties would be far less formidable for this country if it showed the courage to break away from the ring of capitalist finance, to repudiate all debts and claims to indemnities, and to embark on a policy of direct barter with the countries producing, or able to secure for exchange, the goods which Great Britain requires. Apart from a deliberate world boycott, which it hardly falls within the scope of this book to discuss, I believe that, given courage, a Socialist Great Britain would have, even to-day, no serious difficulty in importing in exchange for exports all she needs in order to keep her industrial system fully at work. There would be difficulties of transition, of course; but I see none that could not be overcome.

It is clear, however, that what is needed for the full abolition of unemployment is not merely Socialism—the free organisation of production and the fair distribution of income—in one country only, but Socialism everywhere. Even

if we could abolish unemployment here, we ought not to be content as long as it survived in other countries. Nor could we feel confidence in the stability of our own conditions as long as capitalism and Imperialist rivalries continued to rule the world. For before us would remain always the shadow of war, and war is hardly less fatal to the economics of a Socialist, than of a capitalist, society. Our primary responsibility is to establish the power of the workers in our own country; but it is also part of our responsibility to aid in its establishment throughout the world. That, and that alone, is the complete and satisfactory remedy for the disease of unemployment.

APPENDIX A

STATISTICS OF UNEMPLOYMENT

THE chart printed as a frontispiece to this volume shows the fluctuations of unemployment, as measured by the only returns available for the whole period, from 1850 to 1922. The returns on which this chart is based are not fully representative, and allow for a considerable margin of error. But, while they cannot be taken as showing clearly the absolute volume of unemployment at any time, they are good enough, and are confirmed on the whole by such other figures as are available, as showing the general fluctuations of employment from boom to slump and from slump to boom.

It will be seen that, since 1850, booms and slumps have recurred with some approach to regularity. In the best years up to 1914 the percentage of Trade Unionists unemployed only once, in the boom of 1871-1873, sank appreciably below 2 per cent. The abnormal war-time shortage of labour brought it down considerably lower, to 0·4 in 1916; but such conditions will hardly recur, at least until the next "war to end war" takes place or Socialism is established. In years of slump the percentage usually mounts to 8 per cent. or more, the worst pre-war years being the slumps of 1858 (nearly 12 per cent.) and 1879 (11·4 per cent.). The post-war slump, with 15·3 per cent. unemployed in 1921 and 15·4 in 1922, has easily beaten all previous records.

The figures used are the annual average percentages of unemployed. These, of course, do not show fluctuations of unemployment within the space of a single year. The student in search of more exact figures may consult the files of *The Labour Gazette*.

The following are the figures which the chart represents:—

OUT OF WORK

The two following Tables show, first, the number of insured persons registered as unemployed at the end of each quarter since the Unemployment Insurance Act of 1920 came into force, and, secondly, the varying incidence of unemployment in certain of the principal industries at the end of the years 1920, 1921 and 1922. It should be observed that these figures relating only to insured persons (*a*) omit all under 16; (*b*) omit those who, on exhausting claims to benefit, drop their registration at the Unemployment Exchanges; (*c*) exclude all workers on short time or under-employed, even where such workers are in receipt of benefits; and (*d*) exclude those involved in trade disputes.

TABLE II.—UNEMPLOYMENT, 1920-1922

Table relating only to Persons Insured under the Unemployment Insurance Act of 1920, covering approximately 12,000,000 Workers

Exclusive of Short Time

Date	1920		1921		1922	
	Number	Per-centage	Number	Per-centage	Number	Per-centage
March	...	...	1,355,206	11.3	1,765,326	14.6
June	...	...	2,171,288 ¹	17.8 ¹	1,502,955	12.7
September	...	...	1,484,829	12.2	1,414,378	11.9
December	691,103 ²	5.8	1,934,030	16.2	1,431,929	12.2

¹ Effect of mining lock-out.

² The Unemployment Insurance Act came into force in November 1920.

TABLE III.—UNEMPLOYMENT IN VARIOUS INDUSTRIES, 1920-1922

Exclusive of Short Time

	December 1920 ¹	December 1921	December 1922
	%	%	%
Coal Mining . . .	0.3	11.1	4.6
Building . . .	7.0	20.5	18.5
Shipbuilding . . .	8.8	36.1	35.6
Engineering and Iron- founding . . .	7.9	27.2	20.6
Iron and Steel Manu- facture . . .	5.7	36.7	22.1

¹ Approximate only.

TABLE III.—Continued

Printing, Publishing and Bookbinding . . .	3.5	7.9	5.9
Cotton . . .	6.9	17.1	9.1
Wool and Worsted . . .	5.2	13.4	4.1
Tailoring . . .	...	13.4	9.3
Boot and Shoe Manu- facture . . .	...	11.9	8.3
Distributive Trades . . .	...	7.1	6.3
General Average of All Trades . . .	5.8	16.2	12.2

APPENDIX B.—A NOTE ON BOOKS

FULL bibliographical references, and hints for the further study of the subject, will be found in my *Study Syllabus on Unemployment* (Labour Research Department, 6d.), which is intended for classes and study circles as well as for individual students. Here I mention only a very few of the most indispensable books. J. A. Hobson's *Economics of Unemployment* (Allen & Unwin, 4s. 6d. net.) is, in my view, by far the best of recent studies. My own little book owes a lot to Mr Hobson's treatment, especially in the sections dealing with under-consumption and the over-stimulation of the constructional industries. F. W. Pethick Lawrence's *Unemployment* (Oxford University Press, 2s. 6d.) is a good and simply written elementary outline. F. Lavington's *The Trade Cycle* (P. S. King, 3s. 6d.) is the handiest short treatment of this aspect of the question, but it is very abstract. Of larger books, W. H. Beveridge's *Unemployment* (Longmans, 1912, out of print) is still the standard work, but badly needs bringing up to date. J. L. Cohen's *Insurance against Unemployment* (P. S. King) is a mass of facts on its aspect of the subject. D. H. Robertson's *A Study in Industrial Fluctuation* (P. S. King) is the least unreadable of the many larger works on this question. My pamphlet, *Unemployment and Industrial Maintenance* (Labour Publishing Co. and National Guilds League, 6d.), and two useful Labour Party pamphlets on *Unemployment Insurance by Industry* (6d.) and *Unemployment Relief* (3d.) should be consulted. There is a great deal of useful matter, including further statistics and a summary of the law relating to unemployment provision, in the Labour Research Department's *Workers' Register of Labour and Capital* (Labour Publishing Co., 3s. 6d.). A most useful book, full of up-to-date information, is *The Third Winter of Unemployment* (P. S. King, 6s.).

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